

**TEXT FLY WITHIN  
THE BOOK ONLY**

UNIVERSAL  
LIBRARY

**OU\_156901**

UNIVERSAL  
LIBRARY



OSMANIA UNIVERSITY LIBRARY

Call No. 330/745E. Accession No. 6916

Author Gide, Charles.

Title First principles of political

This book should be returned on or before the date  
last marked below.

Economy



FIRST PRINCIPLES OF  
POLITICAL ECONOMY



# FIRST PRINCIPLES OF POLITICAL ECONOMY

BY

CHARLES GIDE

PROFESSEUR AU COLLÈGE DE FRANCE  
PROFESSEUR HONORAIRE À LA FACULTÉ DE DROIT  
DE PARIS

TRANSLATED BY

ERNEST F. ROW B.Sc. (ECON.) L.C.P.

AUTHOR OF "WORK WEALTH AND WAGES," ETC

GEORGE G. HARRAP & CO. LTD.  
LONDON      CALCUTTA      SYDNEY



*First published May 1922*  
by GEORGE G. HARRAP & CO LTD.  
2 & 3 Portsmouth Street, Kingsway, London, W C 2

---

PRINTED IN GREAT BRITAIN BY UNWIN BROTHERS, LIMITED  
THE GRESHAM PRESS, LONDON AND WOKING

## PREFACE

**I**N writing this little book my aim has not been to give an outline of economic science, and still less to compile a text-book for students. I have written it for those who have never studied political economy, and I wish simply to inspire them with the desire to do so. Consequently they will find here scarcely any definitions or discussions or descriptions of actual problems, but merely a few sketches of primitive sociological ideas in their origin and development, showing how they have gradually taken shape in the minds of men and have been worked out in their institutions. There are not more than a dozen of these ideas which constitute the groundwork of political economy.

My thanks are due to Mr Row, whose translation is both faithful and elegant. A few passages of the original French have been modified to make them more intelligible to the English reader where facts had been illustrated by examples referring specially to France.

I shall feel both gratified and honoured if

## POLITICAL ECONOMY

this primer, intended for the instruction of the people in France, is able to render the same service in Great Britain, and take its place beside the many excellent English introductions to economic science.

CHARLES GIDE

# CONTENTS

CHAPTER	PAGE
I. WANTS AND WORK	9
II. EXCHANGE AND VALUE	30
III. MONEY	49
IV. PROPERTY AND INHERITANCE	72
V. RENT AND INTEREST	98
VI. WAGES AND PROFITS	121
VII. COMPETITION AND CO-OPERATION	142



# FIRST PRINCIPLES OF POLITICAL ECONOMY

## CHAPTER I

### WANTS AND WORK

**A**MONG the members of the younger generation, both those who went to the War and those who have not yet had to fight, there is a great eagerness for instruction, at any rate in practical subjects. Perhaps it should be said, on the other hand, that they show a certain regrettable indifference to general culture and theoretical problems.

This little book, as its title indicates, does not profess to give anything but the first elements of political economy. It may seem that the elements of economic science are easier of acquisition than those of any other science, because economic facts come home to us most closely and are woven into the very texture of our everyday life.

But such is not the case. Economic facts have become so tangled in the course of their development that it is extremely difficult

## POLITICAL ECONOMY

nowadays to find the end of the thread by which the skein can be unravelled. The best method to follow is to go back to the earliest origin of these economic ideas.

In order to explain the facts of political economy it is often the custom to start with the story of Robinson Crusoe, and though some economists and others laugh at this method, it is not to be despised when it is a case of discovering the particular effect of such and such a cause. It is a substitute for the method of experiment, which has given such marvellous results in the natural or physical sciences, but which is impossible in social ones. We arrange an imaginary experiment instead of a real one. We take a man and set him down on an island by himself, and try to find out how he will behave.

But when we are seeking to get back to the origin of economic phenomena Robinson Crusoe's island will not teach us much, for Crusoe was far from being a primitive man. He took with him on to his island all the knowledge he had previously acquired, his real intellectual wealth, as well as a good deal even of material wealth which he had saved from the wreck.

Perhaps we could learn more from little

## WANTS AND WORK

children. Child psychology might be extremely useful in throwing light upon certain economic phenomena, and we have made a mistake, perhaps, in neglecting to study it from this point of view. But none the less the little child himself lives under conditions just as artificial as Robinson Crusoe's, though they are artificial in the opposite direction, as it were. For the little child may be described as a parasite. He is a very charming parasite, no doubt, but all the same he is a parasite, in the true sense of the word : he takes everything, and gives nothing in return, except his smiles and his kisses, which, economically speaking, are insufficient.

Let us try elsewhere. What about animals, for instance ? Among them we shall find the first rudiments of economic phenomena, and even of the economic laws by which men are governed, for political economy has its roots in biology : it is one chapter in the book of natural history—the chapter that deals with the genus *Homo*.

## WANTS

We find wants or needs among all animals, and wants are the starting-point of all political economy. The wants of animals are not very



## POLITICAL ECONOMY

numerous. They reduce themselves to two: the need for food, which occupies so large a place in their lives that it is almost their sole need, and the need for shelter, which must not be forgotten. Christ Himself said: "Foxes have holes, and birds of the air have nests." Indeed, there is no animal that has not some kind of home; it may be a humble one, but it suffices for its needs.

We have no reason to boast, however, for these very same wants hold the chief place in human life also. If we examine the budgets of working men's families we shall find that food accounts for about two-thirds of the total expenditure,—from 60 to 65 per cent., according as the family is more or less well off. House-rent used until recently to absorb 15 or 16 per cent. of the total, and the proportion is larger to-day, so that food and lodging together account for 80 or perhaps 90 per cent. of the expenditure of the working classes. That leaves very little for supplying all the other wants which raise men above the level of the animals.

The need for clothing naturally does not exist among animals. Nature has provided for that, and has clothed them so sumptuously that we men—and women in particular—

## WANTS AND WORK

clothe ourselves in the cast-off garments of the animal world. We wear their skins, their wool, their fur, their feathers, their old teeth, which we call ivory—everything, in fact, that they wore while they were alive.

When we look more closely, however, there seem also to be some æsthetic wants, even among the animals, for there are certain species which take delight in brilliant objects. There is a partridge in Asia, for instance, which decorates its home by hanging on the trees around it any glass beads it can manage to find. And it is most remarkable that this desire for adornment, which we should expect to appear only at the very end of the evolutionary process, shows itself in the history of the human species immediately after the desire for food and shelter and *before* the need for clothing. Savages concern themselves with adornment before thinking of clothing themselves; we might even go so far as to say that they only clothe themselves in order to ‘look nice.’

Such, then, are the wants of animals. They are very limited, but they suffice to fill their lives. Ought we to draw a moral from this and say that men also should reduce their wants to a minimum? That is a subject for

## POLITICAL ECONOMY

consideration which is far beyond the scope of this little book. All we can do is to utter a warning against one misconception. Certain it is that 'the simple life' is not only a moral ideal, but also, and particularly at the present time, an imperative economic duty. But we must take care not to regard this as a recommendation to return to the life of the animals by limiting our wants to those of food and shelter. To live simply is not to devote our whole lives to the business of the table and the dwelling-house. On the contrary, it is to reduce these animal wants to a minimum—especially the first one—and to replace them by wants of a higher order, by intellectual and moral wants which involve neither great expense nor great luxury, but which can fill life more satisfactorily. The simple life does not mean the suppression of luxury; it means the substitution of spiritual for material luxury, and this has no counterpart in the economy of the animal world.

## WORK

Now let us see how animals satisfy their wants. Is it by work? Not in all cases; it is not true of herbivorous animals, for example,

## WANTS AND WORK

for grazing can hardly be called working. But animals that live on seeds or berries or roots and have to forage round to get a good meal may be said to work. It is true of carnivorous animals, at all events. They work, in the exact sense of the word. They spend their whole life in hunting or fishing, which are certainly work, and work that demands tremendous physical effort. And for thousands of years the human species practised no other kind of work than those three : picking fruit, hunting, and fishing.

Passing from the need for food to the need for shelter, we see that among animals this need requires not only work, but actual skilled industry of marvellous variety. In this respect the birds are far more advanced than the mammals. We know with what skill and devotion they build their nests, and how varied these nests are. Some birds, like the oriole, even go so far as to sew leaves together to make their nests.

But it is above all in the wonderful insect world that the diversity of industries is most marvellous. Some are diggers, like the mole ; some are workers in 'wood or earth or stones ; some, like the sexton beetles, are grave-diggers ; there is one kind of bee which carpets its nest

## POLITICAL ECONOMY

with the petals of flowers. There is hardly any difference between the industries of animals and those of man, except that each kind of animal works at one trade alone, while man combines them all.

Still, between the work of animals and the work of man there seems to be one other difference, and that of so essential a nature that we may well ask ourselves whether the former is really deserving of the name 'work' at all. The characteristic feature of man's work is always effort, pain, trouble. "In the sweat of thy brow shalt thou labour." Can animals be said to labour in the sweat of their brows? It is not merely in the figurative sense that the phrase is absurd; it is so also in the real sense. The activity of animals does not bear the character of a task, as that of a man does; it seems rather a natural function. The bird apparently builds its nest for the same reason that it chirps, and the bee makes honey for the same reason that it buzzes. We can hardly imagine them saying every morning: "Let us go and do our daily task." Work, for them, seems to be a form of exercise, a manner of life, just as it must have been for man in the Garden of Eden in the days before the Fall, when he had only to gather the fruit from the

16

## WANTS AND WORK

trees, according to the story in the Book of Genesis. It is as though the animals, not having participated in the Fall, had retained the divine privilege of working joyfully. But the sons of Adam have lost that privilege, and it is not without reason that man has been described as "an idle animal."

Yet man does not scruple to say that it is the animals that are idle! If this were true of tame animals it would be excusable, for, being only slaves, they have only slave-labour to perform. Yet even in their case how unjust is the charge of idleness when we think of the energy expended by the hunting dog who runs panting all day to bring game to his master, or the horse in his harness, or the oxen that draw the plough! Many an employer to-day would be glad to have workmen who are no more idle than these faithful fellow-labourers.

As for wild animals, it is true that when they have provided for their simple wants they rest, because they feel no need to indulge in supplementary activities. But this does not mean that they are idle; it means that they do no more than is necessary.

It remains to inquire why work is not as joyous and easy for man as it is for beasts. Why does it bear the character of a curse?

## POLITICAL ECONOMY

The fact is only too well explained in the case of slave-labour and serf-labour, the toil under which the human race groaned for hundreds of years, and even in the case of the labour of the wage-earner in modern times and down to a recent date.

But what complicates the problem is the fact that it is just the same in the case of free labour. The institution of slavery itself proves it. It is obvious that the ancients who invented slavery were themselves free men, and it must have been because they objected even to free labour that they conceived the idea of making others work for them. They wanted to free themselves from drudgery, just like the rich folk in France half a century ago, when conscription was particularly burdensome, who paid for substitutes to do their military service for them.

Men have often asked themselves whether work cannot be made into a normal and joyous form of activity. Thus the French poet Sully-Prudhomme wrote :

If I were God,  
Fair fruits without a rind should grow ;  
Work should be nothing but a game ;  
Men should but toil to feel their vigour flow,  
If I were God.

## WANTS AND WORK

Well, if I were God I should think twice before granting that poet's wish. I should not be too sure that I was doing humanity a good service by making work into a game, or even into a simple, natural function like that of the animals.

For we must not forget that this element of pain and compulsion which attaches to work has been the source of civilization itself. It has been the law of the world, for it has led man, precisely because he does not love work, to strive to lighten his toil by all possible means—by making use of natural laws, by inventing machinery, by associating with others, and by the division of labour. (This is called 'the law of least effort,' or, in more learned language, 'the hedonistic principle,' and it is the basis of all political economy.) It has been very well said that man works prodigiously to avoid work, exactly as it has been said that he has made war so as to avoid future wars—though he does not seem to have succeeded much better in the one task than in the other. It looks like a fool's game that he is playing—performing all the labours of Hercules to make his task easier. But this fool's part that nature makes him play is really a blessing. It is fortunate that the object he aims at is ever



## POLITICAL ECONOMY

flying before him, to stop only when work becomes no more than the buzzing of the bee or the chirping of the bird. Then it will have become the "attractive labour" that was the ideal of that admirable socialist Fourier.<sup>1</sup>

We need not, therefore, regret that work is one thing for men and another for animals, and that it has ceased to be a simple, natural function. Nor should we wish it to become a form of sport, for then it would be unproductive. Let us rather follow it sympathetically through its long and painful development and see how it has grown nobler at every stage of the ascent. It recognized at first no other stimulus than the whip. That form of compulsion became softened into the necessity for earning the daily bread, which was still a form of constraint. Then came the motive of self-interest, demanding an ever-increasing share in the product of labour. And when labour shall at length rise to the dignity of social service it will no longer admit any other kind of incentive than the public welfare and the duty of solidarity.

Lastly, this development of labour into social

<sup>1</sup> Charles Fourier (1772-1837) propounded a famous scheme for the establishment of non-communistic socialist communities, which he called *phalansteries*.

## WANTS AND WORK

service seems to have been accomplished already in certain animal communities. The bee undoubtedly works not for itself, but for the hive, and is conscious of the fact.

### CAPITAL

So much for the origin of labour. But there is another conception—that of property or ownership—that appears already in the animal world. Perhaps 'property' is too ambitious a word to use here, for it has become loaded with meaning in the course of many centuries of development. Let us call it simply 'appropriation'—that is to say, the act, on the part of a living being, of seeing certain objects in the world around it which seem to answer to its needs, which excite its desire, and which it seeks then to appropriate, to make its own, in the fullest sense of the word.

Now the first way to appropriate a thing—to make it one's own—is to absorb it, to consume it. We can see that simply by looking at little children. They grip with their little fists whatever is given them, and scream or cry if one tries to take it away. They have the instinct of appropriation in the highest degree, and they express it by putting the object in

## POLITICAL ECONOMY

their mouth to swallow it, because there is no better way to appropriate a thing than to absorb it, to put it inside oneself. Animals do the same thing ; they also are familiar with appropriation in the form of immediate consumption.

This is what Ernest Thompson Seton, the naturalist, writes in an article in *The Century Magazine*<sup>1</sup> about the habits of animals :

“ I once threw peanuts for an hour to the fox-squirrels in City Hall Park, Madison, Wisconsin. In each case, the peanut, when thrown, was no one's property. All the near squirrels rushed for it ; the first one to get it securely in his mouth was admittedly the owner : his claim was never questioned, after a few seconds' actual possession.”

There we still have appropriation in the form of consumption only. But here is a further step. It is possible that the animal may not consume the object at once, but puts it on one side. There are some animals, and especially squirrels and dogs, which do this. At that very moment, in the case of an object that cannot be immediately consumed, real possession begins, for the object is separated from its owner and may be more or less distant

<sup>1</sup> November 1907.

## WANTS AND WORK

from him.\* Listen again to Ernest Thompson Seton :

“ If hungry, he [the squirrel] ate it at once ; otherwise his first act was to turn it round in his mouth three or four times, as he licked it, marking it with his own smell, before burying it for future use.” <sup>1</sup>

Why does the squirrel turn the nut over in his mouth ? For the very same reason that the small child immediately raises an object to his mouth—because he wants to swallow it. But the squirrel is cleverer than the child. He knows quite well that he cannot swallow the nut without cracking it, so he puts it in his mouth “ to impregnate it with his own smell and make it easily recognisable by others and by himself when it is concealed in a hiding-place where he can find it again.” He sets his seal of ownership upon it by an action which constitutes taking possession—what the Roman lawyers called *mancipatio*.

That is how appropriation begins, when possession takes the form of saving or storing up, instead of actual consumption.

But property also appears among animals in another and a very human form, which is theft. Animals frequently rob each other :

<sup>1</sup> *Ibid.*

## POLITICAL ECONOMY

the fishing-hawk, for instance, who 'steals the fish that others have caught and thus makes a business of parasitism, and the hornet in the insect world. Theft is the outcome of a well-defined sense of ownership. Every one knows the famous saying of Proudhon : <sup>1</sup> " Property is theft." It may be disputed, of course ; but it becomes indisputable if it is turned round so as to read : " Theft is property." It is obvious that if there were no owners of property there would be no thieves. And animals recognize perfectly that the object they have stolen is the property of another.

Nor do they recognize individual appropriation only in objects of consumption. They recognize it also in the case of their dwelling-places. The bee defends its hive, the bird its nest, and the dog its kennel, to say nothing of the way it defends its master's property.

Animals have also a conception of collective property. A well-known story tells how the dogs of Constantinople were deported by the Young Turks to an island, that they might die of starvation—surely one of the most despicable things the Young Turks ever did. These dogs had their own special quarters, and the inhabitant of one quarter was not allowed to

<sup>1</sup> A celebrated French revolutionary writer (1809-65).

## WANTS AND WORK

enter another. If he ventured there the whole pack belonging to that quarter set on him and chased him as far as their boundary, where they stopped, recognizing it as the limit of their jurisdiction, although it was an invisible one.

Among us, the human species, property generally takes the form of capital. Does this notion of capital exist also among animals? The answer is both yes and no. Yes, if we confine ourselves to capital in its simplest form : the store of food that is hoarded up for future consumption. Squirrels have hiding-places where they store their nuts. They even act on the principle adopted by our capitalist heads of families of "not putting all their eggs into one basket," of not investing all their capital in one business. For the squirrel has several storehouses, so that if one is destroyed he has others left. There you have the instinct of foresight in an astonishingly well-marked form.

Is there any need to speak also of the bees and the stores of honey they accumulate in the hive, or of the granaries of the ant? We have spoken of animals as idle, but that was not the opinion of Solomon when he said : "Go to the ant, thou sluggard ; consider her ways, and be wise."

## POLITICAL ECONOMY

But the characteristic and essential feature of capital is that the wealth that is saved is destined for the production of fresh wealth.

Let us return for a moment to Robinson Crusoe. When he stored up his provisions for the future, just like the squirrel, the bee, or the ant, it was not only with the intention of consuming them during the winter or of keeping them for a rainy day, but mainly in order that he might manufacture tools at his leisure—build his boat, for instance. While he was building this boat he could not go hunting, so he could not have built it unless he had made provision in advance in order to set himself free from the daily task of procuring food. That is why his stores were really capital—an instrument or agent of production.

Now with animals this does not seem to be the case. Those food-stores of the squirrel, the bee, and even the ant, seem to be merely hoarded-up wealth placed in reserve solely to be consumed.

Then there is also another conception of capital: *fixed* capital, as it is called in political economy, in distinction from the *circulating* capital of which we have just been speaking. By fixed capital is meant tools and instruments and machines of every kind. Are these

## WANTS AND WORK

to be found among the animals? It is usually said that they are not. Man has even been defined as "the tool-maker."

It is true that animals do not make tools. Perhaps this is for the same reason that they do not make clothes: because they do not need them. It is true that they are splendidly endowed by nature with weapons for the particular industry to which they are addicted—that of hunting. This is the case with birds and mammals, as well as with the myriad hosts of insects. And as for the building trade, if nature has given the mammals nothing but claws to dig with, and to the birds a rather unsuitable beak, she has on the other hand given the insects most complicated tools, surpassing even those that men make for themselves. There is no auger, or saw, or syringe, or gimlet, or needle, that is not to be found in this appalling insect world, and employed in a multitude of tasks. What need have they to set their wits to work to find better tools?

Still, it is not perfectly accurate to say that there are *no* animals that can make tools. Many of them make traps for catching their prey. The spider's web is neither clothes nor lodging, but a trap, like the snare of the hunter or the fisherman. And there are other



## POLITICAL ECONOMY

examples, such as the hole dug by the ant-lion as a pitfall for the insects upon which it feeds.

If we wish, therefore, to locate the boundary line separating man from the animals, it is not in the making of tools that we shall find it, for animals are to some extent acquainted with that. We shall find it instead in the invention of fire.

It is a curious thing that animals have never discovered how to make fire, especially since they are so fond of it. The dog and the cat luxuriate before the drawing-room hearth or the kitchen grate, and when the caravan traverses the desert or the forest the wild beasts crowd round the fire that frightens and yet fascinates them. Yet neither among those that warm themselves at the domestic fireside, nor among those in whose eyes the flames reflect all the terrors of the unknown, has any Prometheus arisen.

It is a common saying that there is no smoke without fire. It would be still more true to say that there is no fire without man. If ever a group of monkeys is discovered somewhere in Africa seated round a fire that they have kindled, on that day will man be able to greet them as his brothers. But until then the flame that first sprang from the hands of

## WANTS AND WORK

Prometheus shall shine resplendent over the whole human race, like the fiery crest that Eastern legends place upon the foreheads of the genii.

This, then, is the point at which to take leave of the animals that have served us so far as instructors in these first rudiments of economic science. They get no further initiation into political economy, and we must leave them by the wayside. The human race goes on to become rich, but the beasts remain poor for all time.

## CHAPTER II

### EXCHANGE AND VALUE

**W**E are still only upon the threshold of our subject, for political economy, properly speaking, does not begin until man lives in company with his fellows.

Political economy, as the name itself indicates, is not the science of isolated individuals, but a social science. The words 'political economy' come from three Greek words meaning 'city,' 'house,' and 'law.' For the Greeks the city was the same thing as the nation, so that the literal translation of the words would be 'the laws of national housekeeping.'

#### ORIGIN OF EXCHANGE

The presence of two people, however, is sufficient for economic relations to arise. The story of Robinson Crusoe becomes far more interesting at the point where Friday meets him on his island, because there it gets closer to real life.

The reason for this is that with two people

## EXCHANGE AND VALUE

the act of *exchange* can take place—that first great fact of political economy which for some writers even makes up the whole of the science.

Could not exchange exist for one isolated individual? Can we not say that even for a solitary man every act of production is, in a sense, an exchange, since by our labour we exchange our time and trouble for an anticipated result? There are legends in every land of men who have sold their soul to the devil, and that, if you like, is a kind of exchange also. But this is merely a quibble: we are using images borrowed from the external world to illustrate what happens within a man's soul.

To return to economic exchange: it really begins only in the case of objects that have become appropriated. The first *wealth*—to give these objects their proper name—whether it be but the honey of the bee or the nuts accumulated by the squirrel, appears only when it is detached from the person who owns it and can therefore be appropriated by another. And such wealth immediately becomes an object of envy to all who have none, whether men or animals.

But how will those who wish to appropriate

## POLITICAL ECONOMY

this wealth manage to do it? They will steal it. Theft is the first economic act, as is proved by the fact that exchange is unknown to animals, whereas they practise theft, as we have already seen. I am not referring only to the thefts committed by tame animals against their masters, but to those they commit against each other, against their friends—thefts which are extremely frequent, and found among all kinds of animals. The paltry wealth of animals, the bone that the dog hides in his kennel, the honey that the bee stores up in the hive—everything is coveted by other animals, and they know but one method of appropriating it—the simplest method of all.

It is the same, of course, in the human species. Theft started among men in exactly the same way, and long before exchange began. There were pirates and robbers in human society long before there were merchants. Even when the latter appeared upon the economic scene it was sometimes difficult to distinguish them from their predecessors. Theft is a form of appropriation—or of expropriation, if you like—which is innate and instinctive among animals, whereas exchange is certainly not an instinctive action. On the contrary, it is a reasoned act, and one which

## EXCHANGE AND VALUE

is not within the range of a primitive intellect. This is because exchange implies a previous voluntary renunciation or relinquishment. The one who wishes to make an exchange must divest himself of his property and make it over to another. Now this is a sacrifice which is repugnant to nature. A little child will never voluntarily relinquish anything that has been given him. It is no good saying to him: "Give it to me, and I will give you something else instead." He will not listen to you, and even if at last he lets the object go, he immediately wants to have it back.

And we can understand this objection to relinquishing one's possessions if we go back to the beginning and think with what toil and labour the primitive man produced the article he owned. It is flesh of his flesh, and if you ask him to give it up his first instinct is to refuse.

The same state of mind, however, is to be found at the other end of the scale of social evolution—not in the savage, but in the artist. It is related of the Italian sculptor and goldsmith Benvenuto Cellini that he was so jealous of his works, the goblets and sword-hilts that he had chased with loving care, that he was

## POLITICAL ECONOMY

ready to stab a man who had bought one, in order to get it back.

And of course there are many things that we ourselves would not like to sell, even at a high price, such as the books and the pieces of furniture that we are particularly fond of.

We could, of course, say to the primitive man: "If you give up that article you will only be depriving yourself so as to get something better in place of it." But that "something better" that we offer him in exchange is an unknown quantity. He knows what he has and what he is going to give up, but he does not yet know what he is going to get. So he is compelled to weigh things in his mind, to put in one scale of the balance the sacrifice he is going to make, and in the other the enjoyment that he is expecting. It is a cruel and distressing choice that he has to make—as distressing as that of the shipwrecked sailor who is clinging to a spar and is told to let it go and seize the rope instead, and who would often rather go to the bottom than give it up. It is a choice that has to be made in all kinds and degrees of exchange from the lowest to the highest, like that which Italy was called upon to make when it was suggested that she should give up Dalmatia to obtain Fiume.

## EXCHANGE AND VALUE

We might even say that exchange, in the crude form of barter that we have just described, must have arisen only in quite special and exceptional circumstances, as, for example, when the thing offered in exchange awakened an entirely new want, irresistible on account of its novelty, in the mind of the man who did not possess it. Thus a savage who has never owned anything but a bow and arrows may be offered a gun or even some such trivial object as a musical box or a bottle of gin. The negro will give up anything whatever to obtain these marvellous things.

Another condition that makes exchange possible is that the object the owner is asked to give up is unnecessary to him, as will be the case if he has two or three of them. Little children, as I have said, do not like making exchanges or giving anything up, but with the schoolboy it is different. His youthful mind has developed by contact with his fellows, and he soon learns to exchange stamps. The trade in stamps is a typical example of the exchange of superfluities, for a duplicate stamp has no value except simply as an instrument of exchange. A savage will do the same thing in his own sphere. If he has a duplicate of anything he will be able to agree to exchange



## POLITICAL ECONOMY

it. But this does not often happen, for the savage is too poor to have anything superfluous. How then can he ever become disposed to exchange ?

Let us pause here a moment to consider this important fact that we have just lighted on. It is one of the chief laws in political economy, having the name of *the limitation of wants*.

Every human want is limited, in the sense that it ceases to exist as soon as it is satisfied, whether with a single object or a certain quantity of objects, and the simpler and more primitive the want the sooner it ceases. Thirst is assuaged by a glass of water, and a hundred glasses would give you no pleasure if your thirst was already quenched ; and it is much the same with bread.

Among savages, in particular, wants are simple, so that the point of satiety is very quickly reached. When they have what is necessary they do not want any more. But as wants become more refined and less physiological in their nature the limit also extends, and such wants may be almost indefinitely elastic. It would be impossible, for instance, to say how many jewels or how much lace a woman would require to reach the point of

## EXCHANGE AND VALUE

satiety. 'But, none the less, the law still holds good.

Here is another case in which exchange becomes easy, even for primitive man—or perhaps we should say for him in particular. It is when the utility of the object possessed is not immediate, but only to be realized after a longer or shorter lapse of time. In that case the primitive man's lack of foresight leads him to regard it as superfluous for the time being. Thus the natives of Morocco, Algeria, and the East will frequently give up for a mere nothing the corn that they ought to keep for sowing. Since it will only become useful next year they have little use for it now. It is even said that some savage tribes on the banks of the Amazon are so improvident that if one wishes to buy the hammocks they sleep in one can easily do so by asking for them early in the morning, because the night that will follow is as far off to them as the year 2000 is to us. If one waits till bedtime, however, they will refuse !

Finally we must notice yet one more condition that facilitates exchange. This is when the owner of an object is swayed by some motive of liberality or altruism. Now that sentiment is not the special privilege of civilized

## POLITICAL ECONOMY

men—far from it. In every human soul a Cain and an Abel have always dwelt together, and Cain does not always kill Abel, although the latter is usually asleep. And this explains the paradoxical statement that in economic development *giving* seems to have preceded exchange. In other words, man found it easier to make up his mind to hand over an object freely and gratuitously than to yield it at a price.

I have said that theft came before exchange. We can now say the same of giving, and let human nature thus retrieve its character. Possibly it is true even of animals. I am not sure that we cannot pay them the compliment of asserting that they recognize the act of giving, at all events in their family relationships: look at the generosity of a hen to her chicks when she has found some corn.

Gift, then, will provide us with a new mode of approach to the subject of exchange. It is a road that leads there directly if we assume that the giving becomes reciprocal, for how can a reciprocal gift be distinguished from an exchange? There is no difference, except in the intention that underlies it. Now reciprocal giving is very common in primitive civilizations—it is even the regular custom, as you

## EXCHANGE AND VALUE

will find from the accounts given by all African explorers. When they come to a tribe of natives the chief, in obedience to the laws of politeness and hospitality of all savage peoples, sends them an ox or some fowls, according to the extent of his wealth. But he expects a gift in return. And just as the King returns the ceremonial visit of a foreign monarch five minutes later, so the code of etiquette of these negro kinglets demands the same reciprocity. That is why every explorer is careful to include in his baggage all manner of articles to be used for payment or for presents—it matters not which you call it, for the two are indistinguishable.

But there is no need to go so far afield as Africa. In remote parts of some European countries, where there are no hotels, this system of the reciprocal gift is in force. I came across it myself, many years ago, when I was travelling in Aragon. It was in a little village where there was no inn, and where it is the custom to stay with the priest. He lodges you for nothing; the understanding is that he does it for the love of God. But it would be the worst possible manners to go away the next morning without giving him at least the equivalent of what you had received.

## POLITICAL ECONOMY

In Roman law exchange is defined thus : *do ut des*, ' I give that you may give.' This bears witness to the course of development that we have just been tracing. And the schoolboy uses the same phrase unconsciously when he says to his companion : " Give me what you have, and I will give you what I have."

It is a consoling thought that exchange arises out of giving as well as out of theft. It is true that if it starts as a reciprocal gift it sometimes ends by degenerating into reciprocal theft, but that is another matter. We shall come to that point again later on.

### VALUE

It is in truth a momentous date in the history of civilization when genuine exchange first comes into being. For this is the result : that everything possessed or appropriated by man—let us call it wealth, for it has a right to that name, however trifling it may be—all wealth, then, bears henceforth a double character.

On the one hand, it will remain what it was to start with : a means of enjoyment and of satisfying wants. This is well expressed by the Latin word *bona*, meaning ' good things,' and by the English word ' goods.'

## EXCHANGE AND VALUE

But, besides this, wealth will now acquire a new character, for it will become an instrument of acquisition, enabling its owner to procure whatever he wants by the method of exchange—other kinds of wealth, it may be, or even the labour of his fellow-men, the services of those who have no wealth. And as civilization advances this second function tends more and more to predominate over the first.

By way of example let us consider corn, the chief form of wealth in a primitive community. The man who has filled his granaries can regard his wealth from either of the two points of view that I have just mentioned. He can say to himself, like the rich man in the Gospel: "Soul, thou hast much goods laid up for many years; take thine ease, eat, drink, and be merry"; or he can say, on the other hand: "I will use that corn to make other men work for me. Those who have no corn will be only too glad to come and take mine, and to give me their labour in exchange for it. They shall work for me; they shall be my servants."

What wealth owes to exchange, therefore, is the power of commanding others. And the name of this power—the most important word in the whole of political economy—is *value*.

Now this word 'value' is sometimes used to

## POLITICAL ECONOMY

describe the *first* of the two functions that I have just ascribed to wealth. But that is an economic mistake, if not, indeed, an error of language. When economists use it in that sense—applying it to goods used for consumption or enjoyment—they are careful to qualify it by saying *utility value* or *value in use*; but when they say *exchange value*, or simply *value* alone, it applies solely to the *second* function of wealth. And therein lies a fundamental distinction. There are some goods which perfectly deserve the name of goods in the sense that they have enormous utility for their owner, but which have no exchange value. For a shortsighted man his glasses have a utility of the very first order, but their exchange value is *nil*, for even if he can sell them again at the price he paid for them—which is not very likely—that price, in any case, will be far from compensating him for the harm he suffers from their absence. A wooden leg is very useful indeed to the man who has lost his own, but what will its exchange value be?

This word 'value' is so laden with meanings that economists have been exploring it for centuries, ever since the days of Aristotle, without having yet succeeded in explaining it thoroughly, or at least to their own satisfaction.

## EXCHANGE AND VALUE

So I am not claiming to expound here the abstruse meaning of the term, but the common, everyday meaning. Now that can be summed up in three words : it is the *power of acquisition*. This means that value is due far less to the desire of those who possess wealth than to the desire of those who do not possess it, but who want it, are anxious to obtain it, and are prepared to give anything to get it. If I possess an object of great value, then that value is measured by the intensity of another man's desire ; it enables me to bring to bear upon others a pressure that is proportional to the intensity of this desire, and to ask them to do anything whatever to obtain the value that I possess. When one offers a lump of sugar to a dog and tells him to sit up and beg for it, he will perform any tricks in order to get it. Value has the same effect on men. It is the desire of others, then, that makes value.

There is therefore an element of immorality, as it were, in economic value. For if economic value enables us to dominate others by speculating on the desire it arouses in them, it is a very different thing from what is called moral value. But we must not be led astray because two things are called by the same name. Moral



## POLITICAL ECONOMY

value has this fine feature about it, that it can be freely shared by all, and that all can enjoy it without robbing the man who possesses it.

### COMMERCE

Exchange in the form of barter remains an exceptional case so long as there are no other circumstances tending to widen its field of action. If the barter of the savage is to be transformed into the regular system of exchange which is called *commerce* it must pass through a series of stages. These I will briefly enumerate.

To begin with, the objection that an owner feels to being deprived of his possessions must be got rid of if exchange is to become general. Now this objection will disappear as soon as men produce things *not* with the intention of keeping them to satisfy their own wants, but, on the contrary, with the intention of parting with them. The man who works not to supply his own needs, but to satisfy those of others, is said to practise a *trade*, or, in some cases, a *profession*. If you take a child, who knows nothing as yet of the ways of the world, into a baker's or a bootmaker's shop he will exclaim : " What can that man do with all those loaves

## EXCHANGE AND VALUE

[or "all those boots and shoes"]? A few of them would be quite enough for him." So it has to be explained to him that the baker and the bootmaker have not made those loaves and those boots for their own use, but to exchange them and obtain, by that means, the wealth that they need. Trade is an indirect, roundabout way of satisfying one's wants. Instead of doing like the primitive man, who works to supply his own need of food and clothing, the civilized man says to himself: "I will provide for the needs of others, which do not affect me personally, and this will enable me to provide for my own needs in a far more advantageous fashion than if I tried to provide for them directly." And that, as I have said, is called adopting a trade, or a profession, or, if it is a particularly fine sort of trade, a career.

This plan is known as the *division of labour*—one of the greatest laws of political economy. It is a corollary of the law of least effort, and they both extend beyond the realm of economic science to form the basis of sociology.

Exchange does not extend far until trades are established. It is only then that giving up one's possessions involves no kind of privation, because the goods have been produced simply to be sold. We have spoken of artists

## POLITICAL ECONOMY

who feel a wrench when they are parted from their work, like Benvenuto Cellini, who was ready to stab his customers to get back what he had sold them. But you will not find a shoemaker who is fool enough to cry when a customer comes to buy his shoes, and still less to run after him and get them back.

Trades have been formed gradually. They are offshoots from the original stem of domestic economy—the system, that is to say, by which a man and his family produced all that was needed to satisfy their wants. There is no need to go back to prehistoric times to see the origin of trades. I have myself seen several of them born. In the little town where I spent my childhood I used to see jam made in my mother's house—an important annual event in my life—as well as laundry-work and the conversion of pigs into pork. And I saw bread made at the farm. But what has happened since then? The making of jam and bread, the washing of clothes, and the preparation of pork have all left the home and the farm, to be carried on in shops for the benefit of the public; they have become separate and independent trades. Going yet further back—though not quite so far as the days “when Adam delved and Eve span”—we

## EXCHANGE AND VALUE

could have seen spinning and weaving carried on at home ; now they have become not only trades, but two of the greatest industries in the world.

Thus little by little the household, the primitive family, instead of working to provide for its own wants, has seen trades and industries break away and emigrate, as it were, each of them producing with a view to exchange. Yet there was still one more thing required to make exchange develop as enormously as it has done. Alongside the workers in trades there has grown up another distinct class of men, still greater experts in exchange, who are called *merchants*. These have played a most prominent part in civilization : witness the merchants of Tyre and Sidon and Carthage, and later on the heroic line of Dutch and British merchants who have peopled, civilized, colonized, cultivated, enriched, and also corrupted the world.

The merchant appeared originally in the very simple form of the pedlar whom we used to see and can still see occasionally in some villages—the pedlar who carried his pack on his back, or drove his caravan from farm to farm and from village to village, where he showed his wares and tempted young men and

## POLITICAL ECONOMY

maidens to buy. And various stages had to be passed through before this travelling merchant became transformed into the great draper's shop or—a still greater transformation—into those American firms which have neither shops nor goods, but sell you everything by post. But the people who run these are only 'business men,' whereas the earliest merchants were heroes.

## CHAPTER III

### MONEY

**W**E have seen how exchange sets men far in advance of the animals. But nevertheless exchange in the form of barter—goods against goods—is a very inconvenient proceeding, because it so rarely happens that there is an exact coincidence of wants between the exchanging parties. The article I want to dispose of very rarely chances to suit the man who possesses just the article I want to obtain.

### BARTER

Here is an example taken from the account of the travels of Lieutenant Cameron in Africa :

“ To obtain boats to proceed on my Tanganyika cruise was my first consideration. . . . I discovered a good one, however, belonging to Syde ibn Habib . . . and managed to hire it from his agent, though at an extortionate rate.

## POLITICAL ECONOMY

"The arrangement at the hiring was rather amusing. Syde's agent wished to be paid in ivory, of which I had none ; but I found that Mohammed ibn Salib had ivory, and wanted cloth. Still, as I had no cloth, this did not assist me greatly until I heard that Mohammed ibn Gharib had cloth and wanted wire. This I fortunately possessed. So I gave Mohammed ibn Gharib the requisite amount of wire, upon which he handed over cloth to Mohammed ibn Salib, who, in his turn, gave Syde ibn Habib's agent the wished-for ivory. Then he allowed me to have the boat." <sup>1</sup>

If the difficulties of exchange are so great in the case of material products or goods, what must they be like for intellectual products or services ? If I had only lessons in political economy to offer in exchange for bread or shoes, I might have to go a very long way before finding a merchant who was prepared to conclude this bargain.

It is obvious that to solve this difficulty we must find some commodity that suits everybody—something, therefore, which meets a universal need and not simply the need of any particular individual. Are there any such things ? Yes ; they are to be found everywhere, even in

<sup>1</sup> V. L. Cameron, *Across Africa*, pp. 183-4.

## MONEY

primitive societies, or perhaps we should say *especially* in primitive societies. There are certain kinds of food, for example. Thus in Japan, where every one, rich and poor alike, lives on rice, the value of everything, both goods and salaries, used to be reckoned in rice until the revolution of 1868. In other countries, such as the Hudson Bay Territory, furs served for a long time as this intermediate merchandise, for in that wintry land every one wears furs. Similarly cattle formed the medium of exchange in ancient communities while they were still in the pastoral stage. And, without going back as far as that, we have even in our own time seen postage-stamps used in Paris to take the place of the small change that had run short. No one made any difficulty about accepting them, because every one needs stamps.

But it is not only goods of universal consumption that can be used as a medium of exchange. Rare objects will also serve, if they satisfy a very keen desire, even though it be but the desire of a small number of people. Such are precious stones and precious metals—though all metals were once precious, because they were all rare: we are told in the *Iliad*, for example, that at the games held on the



## POLITICAL ECONOMY

death of Patroclus the victor's prize awarded by Achilles was a lump of iron !

Among all the metals there is one in particular which has in all ages inspired men with joy and envy and desire. That is *gold*. It is the king of metals, by reason of its lustre, its fine colour, and, I might also add, its uselessness, in the sense that it supplies the needs of luxury alone and not those of industry. It is useless for weapons or for tools : you can make neither a sword nor a ploughshare out of it. It seems, indeed, to have been marked out by nature to play the part of money, and thereby to become the sign and symbol of all wealth.

### SALE

Let us see now what modifications are introduced into exchange by the employment of an intermediate commodity. Anyone who wants to exchange the object he possesses will not need to go in search of some one who can give him what he wants, like the African traveller whose adventures I have quoted above, but will simply look out for some one who possesses this intermediate commodity—which will not be a difficult task—and will exchange the object he possesses for this

## MONEY

commodity, - this gold. In other words, he will *sell* it.

Then when he has received the gold in exchange for the goods he has handed over he will look out for the thing he wants, and will exchange for it the gold he has received ; and this is called *buying*.

Thus by the employment of this intermediate commodity the process of barter is divided into two successive, but complementary and equally necessary, operations, called selling and buying.

One practical difficulty, however, still remains to be overcome. For even when we have the money in our hands it is not always easy to buy—that is to say, to find some one who has what we want and is ready to give it up. And it is still less easy to sell—to find some one who will agree to give us money in exchange for what we possess.

Let us take books as a familiar example. A well-filled purse would not succeed in getting us the book we want if there were no book-sellers selling it. And conversely, those who have books to dispose of know that it is not easy to sell them, even though they may be rare books which would be very expensive to buy.

## POLITICAL ECONOMY

If exchange is to be easily accomplished, therefore, something more is required than an intermediate commodity. There must also be a class of people whose function is to collect, as it were, the goods that their owners have to dispose of and to transfer them to those who want them. These are the merchants, whom we have met with already in the last chapter. Thus, in the case of books, we go and find a bookseller who makes a business of dealing in second-hand books, and buys them from those who have any to sell.

That, then, is how simplicity is reached by way of various complications. It is often thus in problems of social economics; very complicated machinery is needed to perform a simple piece of work.

## MONEY

We have used the word 'money' once or twice already, and money is, of course, one of the most important things in political economy.

There is something mysterious, something that savours of magic, about money. I remember very well that it was the mystery of money that first drew my attention to political economy in my schooldays, and I can still see

## MONEY

in my mind's eye the very spot where this idea struck me. I had been steeped from childhood in marvellous tales, and I knew by heart the story of Aladdin and his wonderful lamp which you had only to rub to possess all kinds of wealth. So I said to myself: "But with money you can obtain everything that the lamp gave you: sumptuous meals, precious stones, a royal palace, black slaves, white slaves, just as many as you please, and even the hand of a princess."

The child learns quite early that with pennies he can get everything he wants. It would be interesting, as a matter of child psychology, to determine the age at which a child, instead of finding satisfaction in an actual present, like a doll or a Noah's ark, is equally or even better satisfied with a piece of gold or silver (it would be a paper note nowadays) with which he can buy whatever he pleases.

Savages are at first no more inclined than children to accept money. There are many tribes to whom money, even of gold, means nothing at all; you must make your offerings to them in kind. Such is the case, at this very moment, with the peasants of Russia; they refuse money and will only give up the produce of their fields in exchange for manufactured

## POLITICAL ECONOMY

goods. (Certainly the money that is offered them is not very tempting !)

How are we to explain this power that money possesses ?

The first reason is that money, as I have just said, is the universal instrument of exchange, which means, in other words, that whoever has money knows that he can get all he wants in exchange for it, unless he finds himself in a desert or some out-of-the-way spot. No merchant will refuse to supply him with what he wants in exchange for his money, provided always that he has enough of it.

Therein lies the superiority of money over all other objects, however precious they may be. The possessor of great riches in the shape of pictures, precious stones, or works of art cannot use these things as instruments of exchange except by converting them first into money by selling them, or *realizing* them, as it is called—a curious expression which implies that money, in point of value, is the only reality. But to the man who has money this preliminary operation is not necessary. He can enjoy his wealth immediately instead of being obliged to wait before realizing it ; he is attended to at once. He knows that the wealth he possesses in the form of money will

## MONEY

always find an acceptor, and it is the only form of wealth of which this can be said. Thus for ten years we have seen vine-growers in the southern districts of France with their cellars filled with wine that was of no value because they could not sell it—could not convert it into money.

Not only does money always find an acceptor ; it is also the object of intense desire on the part of every one. Consequently it gives its possessor the power of commanding services as well as the power of purchasing goods. It is not for nothing that we use in business letters such phrases as “awaiting your commands” and “entirely at your service.” These are not simply polite modes of address : they really express the situation that arises from the possession of money, the power that it confers of commanding not only goods, but labour as well. Services of all kinds, dishonourable as well as honourable, can be procured by means of it.

But this is not the sole reason for what I have called the magical power of money, as if it were a charm or talisman. There is yet another : that money stores up value, like those accumulators which deliver electric power just as we need it. In a pocket electric lamp there is a little

## POLITICAL ECONOMY

accumulator, and to obtain the light we have only to press a button. It is the same with money. It represents a power which the owner can use when he likes. Look at the countryman returning from the market where he has sold his butter or his eggs. He has received a bag of money or a bundle of notes in exchange. This money he can either use at once, by spending it in the purchase of things he needs for consumption, or he can keep it, save it, put it in the proverbial stocking of the countryman of bygone days, or in the purse or pocket-book of his modern counterpart, and leave it there. In ten or twenty years' time, or even after he is dead, this store of value will not have changed. His heirs can release it at once, just as one can make the light appear by pressing the button of the electric lamp, and they can enjoy the money amassed by their father or grandfather. And if he has buried it in the earth, through fear of war or revolution, perhaps after a hundred or a thousand years the treasure will be discovered, and the lucky finder will have at his disposal all the value which has long lain asleep, and which will awaken in his hands like the Sleeping Beauty in the Prince's arms.

It may perhaps be said that this is not peculiar to money, and that anyone who

## MONEY

discovered to-day a new *Venus of Milo*, or even one of the missing arms of the existing statue, could grow rich out of his treasure. Possibly so, because marble and bronze share with the precious metals this splendid privilege of immortality. But there are not many kinds of wealth of which we can say the same. If the countryman I have mentioned tried to treasure up his corn, for instance, he would have nothing left of it in a few years' time, although it is one of the most durable kinds of merchandise, for his crop would have perished, eaten up by rats, or destroyed in some other way.

Yet, after all, we must correct the statement that gold and silver keep their value unchanged throughout the ages. It is really their substance alone, and not their value, that defies the lapse of time. Treasure buried at the time of the Crusades would not have the same value if it were to reappear now as it had for the man who buried it: it would not, that is to say, have the same purchasing power. It would have lost perhaps five-sixths of that power—in comparison, of course, with gold, not paper. Metallic money, even gold, is like those bottles of scent which lose some of their perfume in the course of years, no matter how securely they are



## POLITICAL ECONOMY

closed up, for it too loses part of its value by evaporation. But, even so, it still retains more than any other kind of merchandise.

But here is another privilege that money possesses. Since the man who has money can procure with it whatever he wants, he is thereby exempted from working to supply his needs. It seemed as if every man in the world was subject to the law of toil: "In the sweat of thy brow shalt thou labour"; but whoever possesses this kind of merchandise is exempt. Is not that a similar privilege to the immunity from taxation that was enjoyed by the French nobles before the Revolution?

The French economist Bastiat, one of the leaders of the classical or optimistic school, takes note of this fact that money exempts its possessor from the necessity of working, in his excellent book called *The Economic Harmonies*,<sup>1</sup> in which he seeks to justify all economic phenomena from the moral standpoint. But the fact does not disturb him, because, he says, money itself represents work which has already been performed. We have seen in our discussion of the mechanism of buying and

<sup>1</sup> This is the most famous of Bastiat's works. It was published in 1850, the year of his death. It has been described as "the last incarnation of thoroughgoing economic optimism."

## MONEY

selling that men cannot get money except by selling something. Now what can they sell but the product of their labour or their services? This is theoretically true. Bastiat goes on to say that we must imagine every coin to bear the inscription: "This is a voucher representing so much work accomplished, or such and such a service performed, and giving its owner the right to claim an equivalent value." Value obtained in exchange for money is therefore only a kind of repayment.

But what about the buried treasure we have been speaking of? Can it be said that each coin of which it is composed represents the labour of some ancestor? Yes, but there is nothing to prove that these coins were not stolen from the man who earned them by his labour. They may have been placed where they are by some baron who extorted them from his serfs, for instance. The possession of money brings this advantage, that it does away with any inquiry into the legitimacy of its origin or the truth of the attestation that it bears engraved in characters that Bastiat alone was able to read. "Money has no smell," said one of the Roman emperors, meaning that it is equally valuable whatever be its original source.

## POLITICAL ECONOMY

But even if it were proved that every coin represents some past labour, it may seem a rather exorbitant privilege that its owner should be exempted from present work by labour that is dead and done with.

I remember a system that was in vogue when I was at school, though fortunately it is not practised to-day. Good pupils were given 'exemptions,' which meant that anyone who had done his work well received a voucher for a hundred, two hundred, or a thousand lines. When he was punished he had only to hand in the voucher of corresponding value, and was thus excused from doing his imposition. Was not that exactly what money is, according to Bastiat's optimistic definition—an exemption from work, from punishment, from all toil and drudgery? And, although I most often profited by this system of education, it was not without some feelings of compunction that I saw those of my companions who were less rich in exemptions condemned to perform their tasks. Can we not feel the same scruples in regard to money?

We must therefore give up all idea of justifying money from the moral standpoint. There is no more foundation for it than for the converse notion of certain moralists and socialists who

## MONEY

regard money as an instrument of exploitation and destruction, as the thirty pieces of silver for which man has sold his soul to the devil. Certainly, if each piece of gold could relate its history it would not always be an edifying one. The very coin which has gone to pay the workman for his labour or to reward the careful management of the housewife will pass tomorrow into the hands of the usurer. But how can the coin be held responsible for that?

Money is one of the most admirable instruments that men have invented, just like the alphabet or the metric system. And, like them, it can be used indifferently for good and for evil ends. I call it an instrument, for it is just that, in the same sense that we speak of instruments of measurement—the yard, the pound, and the gallon. All goods are measured by the amount of money for which they are exchanged, as well as by the standards of weight and quantity. This double measurement, to which everything is submitted, is, of course, expressed in its price. The *price* of things is just the measurement of their value in money.

There we have the element of measurement introduced into economic relations. And the introduction of that element into any science marks an important step. Political economy

## POLITICAL ECONOMY

only became a science, and could only become one, when it found an instrument of measurement enabling it to express all values in quantitative terms. 4

Gold and silver can be weighed with great accuracy, and for a long time money played its part in exchange in the form of weighed quantities of gold dust or ingots of silver. Until recently every Chinese merchant used to carry a pair of scales, and at each sale or purchase he used it, not to weigh the goods, as the butcher and the grocer do nowadays, but to weigh the money. Then, by a stroke of genius, ingots came to be used, of a fixed and known weight, determined beforehand, and stamped with a seal to guarantee the accuracy of the weight. We do not know exactly who was the first man to stamp or coin money in this way, but we do know that he lived in the Greek colonies in Asia Minor, near to the land of Phœnicia which gave us our alphabet.

It was only then that the era of money, strictly speaking, began—the era of coined money, as we know it. All the coins that we call monetary units—the sovereign, the franc, the dollar, the mark, and so forth—are little ingots of metal whose weight is fixed by law : the sovereign, for example, is an ingot weighing

## MONEY

123'27447 grains, of which eleven-twelfths is gold and the rest copper.

The State puts its signature upon these ingots, in the form of a portrait of the ruler or a conventional figure, to attest that they really are of the prescribed weight, and the heaviest penalties are inflicted on those who forge this signature—the makers of counterfeit coin. In the Middle Ages they were thrown into tubs of boiling oil. The excuse for such abominable punishments was the necessity for giving the public complete confidence in the signature of the State stamped upon the coin.

It is only since the introduction of money that it has been possible to measure the value of every kind of commodity and of every one's services. When we read in the Bible that Abraham and Job were very rich and had large flocks and many servants, that tells us little about their wealth, whereas to-day we know the exact fortune of any man whatever, almost to a halfpenny. The Government knows it too, and it is fortunate that it does, for how could it reckon its revenue from taxes without an exact instrument of measurement? Nor is it only to the Government that measurement of value is indispensable; it is necessary also to every one who is in business. The merchant works

## POLITICAL ECONOMY

out from his ledger first the cost price and then the selling price of his goods ; he finds the difference between these two figures, and this difference constitutes his gain or profit.

Without money the realization of a fair price is impossible—I mean a price that is fair from the moral point of view. Thus in the regions of Africa where this exact form of measurement does not exist, but where the system of barter still obtains, trade can be carried on only by making enormous differences between buying prices and selling prices—that is to say, by selling articles at three or four times their value. And if the negroes are victims of the most shameless exploitation, it is partly due to the lack of money, which makes it impossible to fix a fair price. For them the coming of money will mean freedom.

## FIDUCIARY VALUE

What makes the value of money ? I have just been showing why gold money is superior to other forms of wealth : because it enables you to obtain all you want, including the labour of others, and thus exempts you from working yourself ; and because it enables you to keep

## MONEY

value for an indefinite length of time. But why does it possess all these qualities ?

Gold and silver, as I have already said, were chosen as money on account of their beauty and because men had always desired them, whether for making crowns for kings or ornaments for women. That is still the case in Eastern lands, where pieces of gold and silver serve both as ornaments and as a medium of exchange, and where a girl's dowry consists of gold coins, called sequins, sewn to her girdle or her dress.

But we in the West have passed beyond that stage. If gold were useful to us only for making into rings, bracelets, necklaces, and watch-cases, and silver for forks and spoons and dishes, that would not suffice to maintain the value of that huge edifice of, say, four thousand million pounds sterling which constitutes the monetary stock of the civilized nations of the world to-day. There must be some other foundation for this value. What is it ?

The only explanation to be found in most books on political economy is that money is also a form of merchandise and that its value is the market value of the metal of which it is made. In answer to our question, " Why is a sovereign worth a pound ? " we are told : " Because if you melt it down or efface the stamp on it with



## POLITICAL ECONOMY

a hammer and take it to a goldsmith he will give you a pound for it ; it will not have lost a farthing of its value—which proves that it has a value independently of its monetary value. The impression stamped upon the sovereign by the Mint is, as it were, the label affixed to the goods ; it *tells* you the value of the coin, but it does not *create* it."

But how, if this is the case, are we to explain the value of the bank-note ? Certainly not by the intrinsic value of the paper it is made of, even though it were the finest and most expensive kind of paper obtainable. The reason, we are told, is that the bank-note is only a symbol for the amount of gold named upon it, for which it can be exchanged at the bearer's pleasure.

This explanation, however, is not sufficient, for some paper money is not convertible into gold. Such are Treasury notes in England, and all bank-notes in France. And even when we receive a Bank of England note, which is convertible, we hardly think of going to the Bank of England to exchange it for gold. We accept it, not to turn it into cash, but to spend it, because we have every confidence—a confidence that is justified by continual experience and also strengthened by legal

68

## MONEY

sanction—that when we want to make any purchase or pay any debt, the merchant or the creditor will accept this five-pound note as worth five pounds.

Moreover, even in the case of metallic money no one has ever thought of saying to himself when he receives a gold coin: “I will go to the goldsmith’s and sell it.” We accept the gold because we know that others will accept it also at the same value, which means that what makes the value of a coin is the confidence that every one feels in its acceptance by every one else.<sup>1</sup>

The value of money rests, then, on a reciprocal agreement between all the holders of it that they will each accept it. The parties to this agreement in the case of a national currency like bank-notes are all the inhabitants of the given country; in the case of an international

<sup>1</sup> It should be observed that the reason why the piece of gold that constitutes a sovereign is worth a pound is not that the gold is useful for making into jewellery, but that it is principally useful for making into coins. The chief buyers of gold are not the goldsmiths, but the Mint. The other explanation involves reasoning in a circle.

If the value of money were really based only on the market value of the metal it contains that value would only be slight. And to convince ourselves of this we have only to ask ourselves how much of the value of the coins would remain if they were demonetized—*i.e.*, if they ceased to be employed as money.

## POLITICAL ECONOMY

currency like gold they are the inhabitants of the whole world. Just as in card games we often use tokens instead of money—counters of various colours which have a certain value assigned to them and which we accept as of that value at the end of the game without troubling about their intrinsic value—so it is with money. The only difference is that the value of these gold counters, instead of being based simply on an agreement between four players at the whist- or bridge-table, is based on an agreement between several hundred millions of people.

This conventional character of value appears, moreover, at the base of all kinds of wealth. When a woman pays £5000 for a pearl necklace it is because she thinks it will make her look beautiful, and when a war-profiteer buys a castle it is because he thinks it will make him happy. It may be that they are both wrong, but that is beside the point. At the same time, this act of faith is disguised, as it were, in the case of non-monetary wealth by the actual, natural qualities of the articles, by the beauty of the pearls and the comfort and convenience of the castle, whereas in the case of metallic money or a greasy bank-note there is no mistake about it, for there is little or no real utility in

## MONEY

the material which acts as a support to their value ; it has no other basis than the credit that every one assigns to them.

This means that what makes the value of money, in the last analysis, is *faith*, as Gabriel Tarde, the sociologist, said. It is a simple act of mutual faith by which each one believes in the value of a thing because others believe in it, and these individual acts of confidence buttress each other up so as to make the edifice as firm and solid as a cathedral. But, if they chance to give way, the whole thing collapses. And that is what we are seeing at this very moment in a large part of Europe.

## CHAPTER IV

### PROPERTY AND INHERITANCE

**W**E often hear it said that property is the foundation of the social order. Be that as it may, it is at all events one of the greatest institutions of civilization, as well as one of the main themes of political economy. I have no intention of going into the subject thoroughly in this chapter; I shall confine myself simply to showing what a long time this 'foundation of civilization' has taken in becoming established, and how it is now in process of being transformed, or, more accurately perhaps, deformed.

#### THE EVOLUTION OF PROPERTY

We have already seen the origin of appropriation in its most elementary form, that which is necessitated by the physiological need of food, the assimilation of what we eat or swallow or at any rate convey to our mouths, as in the case of the children and the squirrels I have mentioned. That is taking

## PROPERTY AND INHERITANCE

possession in its plainest shape ; indeed, it is much the same thing as consumption.

But the notion of appropriation rapidly extends to everything that the hand can touch and seize. Every law student knows that in Roman law the essential form of conveyance of property was called 'mancipation,' from two Latin words meaning 'to take with the hand.' In the beginning, therefore, only those things which could be seized and handled were regarded as things which could be appropriated. And such is naturally the case with the things that man produces by his labour. These are, first, the earliest kinds of tools and weapons, such as cut and polished flints, and articles of clothing and adornment. Later on they were domestic animals. From them the right of appropriation passed to slaves, and even women were among the earliest forms of property. In the beginning, also, the house was a movable object, for it was the tent of the nomad races. The first humble kind of dwelling-place, in fact, was scarcely to be distinguished from clothing. Is the snail's shell the house or the clothing of the snail ? In the same way the abode of the savage was closely connected with his person, and that is

## POLITICAL ECONOMY

why it became a form of property. Even animals have the sentiment of ownership very strongly in the case of their lairs or their kennels.

Here, however, property has already changed its character to some slight extent, for instead of being entirely individual and personal, like a bow and arrows or a suit of clothes, it has become a family affair. A house is not simply the property of the man, but also and especially of his wife and children. How could the bird's nest fail to be a form of property? It is the most sacred of all kinds of property, and there is no bird more despised in the whole winged race than the cuckoo that steals another's nest.

Nor is it only the form of property that changes ; its basis has changed as well. Individual property was created by labour or by occupation. But property in a house is created by marriage and the bringing up of children. In one word, it is *love* which creates the thing that we call by the beautiful name of *home*.

But let us take a step further. As soon as the house became a real home or fixed dwelling-place instead of being a nomad's tent or a cave-man's rocky cavern, then

## PROPERTY AND INHERITANCE

property began to radiate all around it, like the rays of light shining from the hearth. Ownership spread to all that lay near the house, to the little plot of garden ground that supplied the family with food. Thus the earliest form of real or immovable property appears simply as an appendage of the house.

Among the Romans—for to them we must always return when we are studying the origin and history of land-ownership—there was no other landed property until the time of the Punic Wars (200 B.C.) than a little plot of ground surrounding the house. This was called a *jugerum*, and was about two-thirds of an acre in extent.

Property, however, did not remain within these narrow limits. It soon ceased to be confined to things that the hand could touch or that the eye could cover at a glance. As the soil was cleared by the plough, property followed to the end of the furrow and set up there the sacred stone that was guarded by Terminus, the god of boundaries.

But insatiable property did not even then respect this boundary-stone that she had herself set up. She went on extending indefinitely by taking in vacant land until it was all absorbed. Thus arose the institution of landed



## POLITICAL ECONOMY

property on a large scale, an institution that was destined to become of political as well as of economic importance, for it created the feudal system and the class of nobles. By what right, then, did this development take place? In the case of movable property such as a man could take in his hand, and even in the case of the house where he made his home and installed his family gods, and the little plot of ground that he tilled with his plough, there was an actual, material possession-taking. But what does ownership rest on when it extends and covers the earth? Effective occupation cannot be the basis of the ownership of huge estates of thousands of acres, such as those of England, Russia, Italy, and America. Nor can it be based on the labour of the owners, for these great estates, if cultivated at all, have only been cultivated by the labour of slaves, serfs, or tenants. What, then, is the original title to landed property on a large scale?

It is conquest. History leaves us in no doubt upon this point. It was conquest by arms that created the first large estates; then at a later date it was conquest in the form of expropriation of the original owners by means of laws that the conquering class

76

## PROPERTY AND INHERITANCE

itself had made. The Romans had no illusions about this matter. The form of land-ownership that they respected most was that created by war. The expression 'Quiritarian ownership,' which the Romans employed to denote the best and most typical form of ownership—the ownership that was recognized by law—comes from a word that means 'a man bearing a soldier's spear.' It was ownership created by steel, and not the steel of the ploughshare, but that of the lance.

This mode of acquisition of property continued through all subsequent ages. In our own country, for example, we can see these two stages in the formation of land-ownership which I have just mentioned. First there was the Norman Conquest, as a result of which the land of the vanquished English was divided into a number of estates that were registered in the famous Domesday Book. Then much later on these earlier estates of the barons were enlarged by the simple process of seizing and incorporating with them the small estates of the old landowners who had escaped the first sharing-out at the Conquest.

Still later it was Ireland's turn, and the political consequences of this dispossession are but too well known. An Irish preacher once

## POLITICAL ECONOMY

told the following story to an audience of peasants, who greeted it with thunders of applause, though Sinn Fein had not at that time been invented.

“ The other day,” he said, “ I went on to a piece of land, and the owner said to me : ‘ Get out ; this land is mine.’ ‘ Why ? ’ said I. ‘ Where did you get it from ? ’ ‘ From my father.’ ‘ And where did your father get it from ? ’ ‘ From my grandfather.’ ‘ And where did he get it from ? ’ Then he grew angry : ‘ He got it by fighting for it.’ ‘ Bravo ! ’ said I. ‘ Off with your coat ! We’ll fight for it too.’ ”

We have only mentioned the British Isles as one example, but the history of landed property has been the same everywhere, even in America. When the early American pioneers are quoted as representatives of the most sacred kind of ownership, as having conquered the soil of America with the axe and the plough, we are apt to forget that they obtained this soil in the first instance by turning out the Indians. It is the same in all colonies, and it should be remembered that all the old countries of Europe at one time or another were colonies—Britain was first a Roman colony, and then a Teutonic one—and

## PROPERTY AND INHERITANCE

the same story has been repeated a dozen times over.

The fact that landed property originated in this way involves no reflection upon its present owners, for the original mode of acquisition has long been covered over and wiped out by a succession of transfers and purchases, as well as by inheritance. But underneath this superstructure, as it were, of what are known in law as 'titles to property,' and especially under the title that is called 'prescription,' conquest remains none the less the foundation of all landed property if we go back far enough.

If we could find somewhere, even in an old country where land-ownership is most firmly established, a piece of land which has remained ever since it was first reclaimed in the hands of the man who reclaimed it and those of his heirs, bound up in every age with man's labour, it would be a curiosity that should be put in a glass case with a commemorative inscription over it, for it would be the rarest monument in history.

## IMMATERIAL PROPERTY

But property did not remain content with the invasion of the soil. It took a further leap,

## POLITICAL ECONOMY

and became immaterial property, very different from the original forms of property we have been speaking of, the produce that man could hold in his hands. This immaterial property consists of *transferable securities*.

It is that which nowadays constitutes the wealth of most of us. Undoubtedly there are still some of us who own houses and lands and real property. But the majority of what is called the independent or capitalist class have their property in the form of securities, as they are called—pieces of paper of divers hues, covered with figures and devices. They represent part of the ownership of a North-Country coal-mine or cotton factory, or a great English railway or shipping company, or the distant gold-mines of the Transvaal or the copper-mines of Rio Tinto. Have the owners ever seen these mines? Not a bit of it. Possibly they do not even know where they are. Moreover, some of these documents do not even bear the owner's name. They are anonymous—payable to bearer, as it is called—and distinguished simply by numbers.

Nor do people as a rule keep these securities themselves. For the most part they deposit them with their banker, who simply gives them a receipt and a cheque-book in which

80

## PROPERTY AND INHERITANCE

they write the sum they need when they have to make a purchase or a payment. The cheque-book is the typical form of large-scale property at the present day.

The earliest forms of individual property were attached to the person, as it were, like external organs—like the snail's shell. Here, in this later form, we see property that has become disembodied, like the 'astral body' that spiritualists think exists around the material body.

This change has been described in a striking manner by Jaurès,<sup>1</sup> in his *Socialist Studies*. "The peasant's property," he says, "is a piece of his life. It bore his cradle; it is close to the cemetery where his forefathers sleep, and where he, too, will sleep in his turn; and from the fig-tree overshadowing his porch he can see the cypress that will shade his last resting-place. His property is a piece of his native land, a miniature, as it were, of the larger world around him."<sup>2</sup> . . . In

<sup>1</sup> The great French socialist orator, who was assassinated in 1914.

<sup>2</sup> It is true that Jaurès is referring mainly to the French peasant when he speaks of his landed possessions, and that peasant proprietorship has never been so popular in England—at least, for very many years—as it is upon the Continent. "Yet the old traditions even of England," says J. S. Mill

## POLITICAL ECONOMY

former days men had recourse to the newspapers only to learn about things that were apart from their own lives. They did not buy a paper to find out what their income was and how much they were worth. Nowadays nearly every man of means is obliged to read the financial papers to learn how his own fortune is getting on. Property has become a thing so far removed from its owner that it is through the newspaper that he gets news of it."

This is quite true. The man whose wealth consists of paper securities has to turn to the newspaper to see the Stock Exchange quotations and to find out what his stocks and shares are worth, and it is the newspaper that tells him whether he has grown richer or poorer since yesterday, and by how much.

Does not property in this shape run the risk of evaporating? No; not more than property in a material form. On the contrary, it runs less risk of being lost or stolen than

(*Principles of Political Economy*, Book II, chap. vi, § 1), "are on the same side with the general opinion of the Continent." And the leading authority on English agriculture in the Middle Ages, Thorold Rogers, came to the conclusion that in those days half the soil of the country was in the hands of peasant occupiers. (See his *Industrial and Commercial History of England*, vol. ii, p. 348.)

## PROPERTY AND INHERITANCE

the money that the peasant locks up in his cupboard, because the banker keeps it, and looks after it well. But it is a more precarious form of wealth in another sense, for if a revolution took place a puff of wind would suffice to blow away all these 'scraps of paper.'

Now besides this change that has taken place in the course of ages in the things of which property consists, there has also been a development in the rights that are associated with property.

What, on the whole, are the characteristic features of ownership? For so far we have not defined it, but only recounted its history. What do we mean, then, by private or individual ownership? It is the right to possess a thing exclusively—*i.e.*, to the exclusion of every one else. Originally it was nothing but the right to make use of a thing to satisfy one's needs. Did it also possess the right that is now inseparable from it—the right to exchange its object for that of some one else? No, certainly not; for, as we have already seen, exchange is an act which presupposes a moral effort and fairly complex economic conditions. In speaking of exchange I called attention to the repugnance that a man must have felt to depriving himself of the things he



## POLITICAL ECONOMY

possessed and handing them over to another. This repugnance naturally disappeared as soon as the goods were made expressly to be sold—as soon as they became merchandise, through division of labour. But houses and lands were not merchandise. They were something more than individual property, for they were family property. And they were more even than that, for they were sacred property, consecrated by the bodies of the dead who were buried there and by the presence of the household gods, who were the ancestors of the family, and to whom each morning was offered a libation of oil and wine. Even at the present day in some Eastern lands, such as China, the image of the family's ancestor sits enthroned in the hall, the deity who guards the house. Property, therefore, belonged as much to the dead as to the living, and also to those who should come after the living. They had a right to it. Property was a sacred thing, and sacred things have no place in commerce.

## INHERITANCE

By degrees, however, the individual right to a thing managed to detach itself from collective ownership, even in land, and the

## PROPERTY AND INHERITANCE

history of Roman law offers the most remarkable instance of this. Individual ownership was secured by the right of sale, the right of hire, and the right of loan (see the next chapter).

But if the right of ownership becomes thus more and more concentrated, absolute, and individual, what is to happen to it when in due course the individual dies and the right of ownership is left in the air, as it were? That, indeed, is a critical moment. What is to be done?

If the property in question is of the primitive kind, it has to follow its owner. Everything must go with him to the tomb. Bury the tools that he used and the jewels that adorned his wife! Bury the faithful hound with which he hunted and the horse that carried him to war or to the chase! Bury his slaves, and even his wives as well! Some remnants of this system still survive. A dead woman's jewels are sometimes placed in her coffin, and when a general is buried his charger is led behind the bier. It is no longer slain, to be sure, but its place in the funeral procession recalls the days when it followed its master to death. As for the wives, it is not so very long since Hindu

## POLITICAL ECONOMY

brides were burnt on the funeral pile with the bodies of their husbands. The cruel rite was only abolished by the English in the middle of last century.

But we must be careful not to interpret this as an extinction of the right of ownership. On the contrary, it is an extension or prolongation of it into a future life. The dead man's arms and tools and slaves and wives are buried with him so that he may find them again on the other side of the tomb.

The superstition was a fortunate one for us, for we owe to it the preservation of many objects which have taught us more about ancient civilizations than many books could have done—all the precious things that have been discovered in Egyptian, Etruscan, Greek, and Roman tombs, and that now fill our museums.

However, neither house nor lands could be buried with their owner. What was to be done with them?

They would return to the collective ownership, either of the family or of the tribe, which they had temporarily left.

Thus in a country that not long since was savage and has now become civilized through

## PROPERTY AND INHERITANCE

the efforts of the missionaries, the land of the Basutos in South Africa, when a native dies his heirs have the right to carry off not only his movable property, but in addition everything that can be detached from the house, such as doors, windows, beams, and tiles, which are of great value to them. But the house—or what is left of it—reverts to the tribe.

Among the Romans—we are always coming back to them—house and land were for a long time family property. The head of the family, the *paterfamilias*, undoubtedly had absolute power over all this property, as he had over his wife and children, just because he represented the family, as the King represents the State. But when he died it passed into the hands of the other members of the family whether they wanted it or not; they were *heredes necessarii*, compulsory heirs.

Individual ownership was not content, however, to remain merely a life-interest; it wanted to perpetuate itself and to find a person on whom to rest at every decease. At first this person was naturally the son or nearest relation of the dead man. The ownership was then no longer a collective family affair, as it was in the ancient tribes or as it

## POLITICAL ECONOMY

still is to-day in the Serbian *zadruga*,<sup>1</sup> but individual—the goods, that is to say, were divided among the survivors. But later on the right of ownership devolved by preference on the person named by the deceased, who thus lived again, as it were, in his will. The right of making a will, of prescribing what is to become of one's property after death, is the most important right that can be granted to an individual, and constitutes the most absolute kind of sanction of individual ownership; it is impossible to go further than that.

At the same time testamentary inheritance, or freedom of bequest, has not eliminated compulsory inheritance (the 'succession *ab intestato*' of Roman law). In fact, legislators have generally been careful rather than otherwise to defend this compulsory inheritance or family ownership against the whole power of individual ownership sanctioned and expressed by testamentary freedom. In England, it is true, the law allows every man complete freedom to dispose of his property after his death exactly as he pleases, whether it be land or any other form of property. But

<sup>1</sup> A family community of some fifty or sixty persons owning property in common.

## PROPERTY AND INHERITANCE

the legal systems of many countries place limitations on this right of bequest. In France, for example, testamentary freedom is not recognized absolutely, for a father may not disinherit his children, and can only bequeath a certain proportion of his property, viz., "a portion equal to the share of one child, each child taking an equal portion." This limitation was imposed after the Revolution by the compilers of the famous Napoleonic code of laws as a democratic measure intended to break down the feudal and aristocratic custom of primogeniture. The modern tendency, however, is more and more to restrict the number of relations who can benefit by this compulsory inheritance, and the system is accordingly losing ground. But this does not in the least mean that freedom of bequest is taking its place; it is the State that benefits, for it is the State that takes the place of the eliminated heirs.

And here we find ourselves faced by a change of direction in the evolutionary process. After having progressed for a long time in the direction of individualism, ownership tends at this point to become social or collective once more. Thus it returns, in a manner, to its original form—a circular kind of

## POLITICAL ECONOMY

development of which history offers many curious examples.

### SOCIALIZATION OF PROPERTY

It must be remembered that all property is to some extent the result of the joint labour of many people, resembling in this respect the most dignified of all kinds of property : that of an author in his book. No one will dream of disputing the amount of individual creation that there is in a work like *Hamlet* or *King Lear*, for example ; and yet, if we think of all that Shakespeare borrowed from history and even from other authors when he wrote these plays, we shall have to admit that this property is largely collective in its origin. Now it is the same with the shoemaker who makes shoes and the basket-maker who weaves his osier-twigs into baskets. No one, assuredly, thinks of questioning their right to the ownership of what they call the produce of their labour, yet these humble objects really owe their existence to all those who have gone before, all who taught the shoemaker and the basket-maker their trade, and all the traditions handed down from generation to generation, not to mention the

90

## PROPERTY AND INHERITANCE

purchasers of the shoes and the baskets, for without their demand the things would be of no value, despite all the labour they have cost.

Now just as all property has been created, more or less, by the labour of all, so it ought to be employed in the interest of all, except for the share that the producer himself consumes to satisfy his own needs ; this share, however, is only a very small portion of the general wealth.

Looked at in this way, individual ownership appears as a moment of individualization, so to speak, between two states of collective ownership, for it was collective in its origin and it is collective also in its ends. It is the trunk of a tree whose roots are buried in the earth and whose branches sweep the sky. But the trunk is an important part of the tree, and it would not be wise to cut it down.

It is admitted, however, even by those who are not socialists, that property ought to become more and more social, in the sense that it ought to be regarded from the point of view of its social usefulness. We need not trouble much more, therefore, about the origin of property, and whether it is founded on labour, conquest, occupation, prescription, or natural right, but we must consider what



## POLITICAL ECONOMY

services it has rendered and may yet render to the national economy.

Here, very briefly, are some of the practical consequences that result from regarding property in this way.

First of all, since ownership is founded on social utility, it must make itself useful, and the owner who fails to draw out from his property its full usefulness has no longer any right to exercise the function of ownership. For example, all land is meant to be cultivated, and an owner has no right to leave it lying waste. His neglect was tolerated before the War, because in every country the right of ownership was respected in the Roman form we have already mentioned—Quiritarian ownership—the absolute right to use, to enjoy, and to abuse. It was admitted, therefore, that a landowner was free to leave his land uncultivated, or even, as has been done in England on many occasions, to clear whole villages of peasants and to use his vast estates for shooting pheasants or grouse. But to-day this right is less readily admitted, for the War has taught us some lessons on this subject with singular eloquence, as it has on so many other subjects.

The French Government decreed during the

## PROPERTY AND INHERITANCE

War that every landowner should be obliged to put his land into cultivation. If he neglected to do so his neighbour was to cultivate it, and if he failed the parish was to undertake the work. It is true that the law was not put into force everywhere, but it was in certain districts, and societies were even formed with the express purpose of putting into cultivation lands neglected by their owners.

Here in England somewhat similar measures were adopted with the same object, that of increasing the production of food. Orders were issued to the farmers under the celebrated Defence of the Realm Act, by Agricultural Committees that were set up in each county, telling them what proportion of their grass-land was to be ploughed up and what crops they were to grow.

These cases afford a striking illustration of this new conception of ownership.

Moreover, the absolute character of ownership is only found among peoples who are sprung from the Roman civilization. Moslem legislation, for example, only recognizes the individual right to landed property if the owner has cultivated it or irrigated it and thus made it live, or "vivified" it, to borrow the beautiful word used in the Koran. And

## POLITICAL ECONOMY

though, unfortunately, all land which has fallen under Moslem rule has been as little "vivified" as possible, the principle none the less remains an admirable one, and far superior to that of the Romans. Even in Western lands there are many manifestations of this new conception, in the form of State interference with the rights of property in the general interest, for the purpose of ensuring, for instance, that marshy lands shall be drained and dry areas irrigated. The owner exclaims: "I am at liberty not to irrigate my land or not to drain my swamp if I like." But he is told: "No; you are not at liberty to neglect it; you must use this land for the good of the community." He can no longer speak selfishly of *my* land; he must say *our* land.

Then there is the question of expropriation "on the ground of public utility," which goes yet further in the same direction. "If a man uses his land tenure to stand in the way of public improvement," says Hadley, "the government arranges a process by which his land can be taken from him, whether he will or no; saying that the community has rights to such property which, in case of necessity, override the individual will. . . . It is per-

94

## PROPERTY AND INHERITANCE

fectly clear that in case of public necessity private property may be taken by the State, always providing that 'due process of law' is used and compensation given to the owners."<sup>1</sup>

This expropriation on the ground of public utility has just been practised on the largest scale in most of the young republics that have arisen on the ruins of the Russian Empire and even in several ancient countries near to them, such as Greece and Rumania. All these countries have decreed the partial expropriation of all large estates; they have passed laws during the last few years for expropriating all estates of more than a given area, which varies in different countries.

In this case, it should be noticed, there is no substitution of collective ownership for individual ownership. On the contrary, this form of expropriation facilitates the creation and multiplication of a class of peasant proprietors. But it has a socialist character none the less, in the sense that it tends to abolish the type of landowner who is merely an employer or a rent-receiver and to substitute the kind of ownership that is founded on labour and is held to be more conformable to the general interest of the community.

<sup>1</sup> *Economics*, p. 149.

## POLITICAL ECONOMY

Finally, is not taxation, especially on the formidable scale it has reached since the War in nearly all countries, a kind of expropriation of income? When we see great fortunes, not only here, but in Germany and America as well, paying half their income to the State—it is even as much as 72 per cent. in the United States for very large incomes—what can we call it but a form of expropriation, and that without compensation? And a tax on capital would appear still more plainly as expropriation.

Many other instances might be given of the interference of the State with private property in the name of the public interest. Such were the embargo on the export of gold during the War, and the rigid restrictions that were imposed on the sale of various commodities, especially those that were needed in the manufacture of munitions. All these regulations were distinct violations of the right of individual ownership, for this involves the right to export one's property or to dispose of it at pleasure. In some countries the law even forbids the exportation of works of art. The owner of a magnificent gallery of pictures is not allowed to sell them abroad, and they lose thereby a large part of their market value.

## PROPERTY AND INHERITANCE

I am not here discussing the expediency of these measures ; I mention them simply as illustrations of the new conception of property which is tending to make the owner a mere manager of his possessions on behalf of the nation, to which he is responsible. And this means that ownership is henceforth to be a public function.

## CHAPTER V

### RENT AND INTEREST

#### RENT

**B**ESIDES these three methods of sale, gift, and bequest—or, in legal terms, transfers *inter vivos* and by decease—there is another way in which an owner can dispose of his property. It may be that he does not wish to alienate his possessions so definitely and completely.

Suppose he owns a piece of land. He may be anxious to keep it for many reasons: because it is family property which he must hand on to his children, or because his forefathers took their name from it, or because it helps to secure his election to Parliament. But for all that he may not be able to cultivate it himself, so he lends it to a farmer. He lets it on lease, as it is called; which means that he grants to another for a certain period the right to use and enjoy the property, on condition that the tenant pays him either a certain part of the produce or its equivalent

## RENT AND INTEREST

in money. The first of these methods is called *metayage*, and is common in the Latin countries of Europe ; the second is the farm-lease, properly so called. Both systems are of very ancient date.

It is obvious that the owner of capital, whether in kind or in money, may find himself in a similar position. He may be unable or unwilling to use his capital at once for his own needs, so he lends it to those who want it—and you may be sure there will be plenty of them—on condition that they, like the tenant-farmer, pay him for the loan of it. This payment is called *interest*.

Now it looks at first sight as though this method of employing property were entirely advantageous to every one concerned.

In the first place, it benefits the owner. In the case of land he may be unable to get its full value out of it himself, either because he does not live on the spot, or because he has not the requisite money or the necessary technical knowledge of farming. Moreover, the owner may happen to be a married woman, with other duties to occupy her, or a child, or an invalid, or even a religious, philanthropic, or scientific society.

Secondly, this method is advantageous to



## POLITICAL ECONOMY

society, for without it much land would remain uncultivated.

Lastly, it benefits the tenant, for he may be unable to buy the property for want of money, and even if he has a little capital it is better worth his while to keep it for cultivating the land than to spend it in buying the farm.

For some years now it has been the duty of our local authorities, especially parish councils, to encourage cultivation by providing plots of land, called allotments, for any agricultural labourers who may desire them. The labourers are offered the choice between acquiring the allotments in full ownership and taking them as tenants on a long lease. The majority of them prefer the second plan, because they realize at once that if they have only a very small capital, say £500, they will do better to keep it for the purchase of cattle and horses and implements than to sacrifice it for the empty pleasure of calling themselves landowners without having the means of making an income from their land.

The tenant system seems, then, to be very advantageous to all who have not the means of acquiring property in full ownership, and who by this means are yet enabled to utilize

## RENT AND INTEREST

it and make it bear fruit for the benefit of the whole country.

From whatever side we look at this system, then, we see in it at first sight nothing but advantages to both parties and to society as a whole. At the same time it seems perfectly to satisfy our sense of justice, for it would certainly be unjust for the tenant to enjoy another man's land for nothing, at least if we admit the legitimacy of property at all.

And yet it was this very institution of rent that gave birth to socialism in its earliest form. For socialism was born of 'the land question,' the question which held so prominent a place in the history of Rome and of all other nations down to modern times.

The reason is that this dissociation of ownership from cultivation, this separation between landowner and farmer, has removed the foundation on which property used to rest, viz., labour. Even when the owner cultivates his land himself there is undoubtedly a portion of the produce, a part of the crop or harvest, which is not simply due to the labour of man: it is due, if not to the collaboration of nature, at least to the unequal fertility of different portions of land. This part is what economists call *rent*. (It is also called *economic rent*, to

## POLITICAL ECONOMY

distinguish it from the actual payment made by the tenant for the use of the land.) And for more than a century rent has been an inexhaustible subject of argument and discussion. But though this rent, or unearned increment, as it is called, becomes visible on scientific analysis, it bears no mark to distinguish it from the product of labour when the owner of the land is also the cultivator. It becomes immediately and glaringly apparent, however, as soon as the land is let to a tenant. And at the same time appears the class division between those who till the soil without obtaining the produce and those who receive the produce without having laboured. This class division is not only an economic one ; it has become of political significance, for the owner class has become the governing, law-making, and educating class, solely on account of the leisure that their rent procures for its members. Meanwhile, the other class remains poor, ignorant, and dependent, simply because of the daily labour to which it is subjected.

These unfortunate results, however, did not appear at once or in all countries. As long as there is a practically unlimited amount of ' free ' land in any country, as in a new country like America or the colonies, the tenancy

## RENT AND INTEREST

system has all the advantages I have just described. But little by little, either through conquest or other historical causes, or through the action of laws made for the benefit of the land-owning class, or even through the pressure resulting from the growth of the population, it comes about that no available land remains. It is all occupied by the landowners. In these circumstances the ownership of the soil becomes a monopoly. Those who own it can fix whatever price they please, and the agricultural population, unable to have access to the land without their permission, is obliged to pay it. The rent paid for land may then increase to such an extent that almost the whole produce of the land and the tenant's labour is deducted by the landlord in the form of rent, and there scarcely remains enough for the cultivator to live on.

To take only the most celebrated instance, look at Ireland, where the great landlords, established by conquest in Cromwell's time, took all the land, so that the Irish themselves could no longer obtain farms except at absolutely ruinous rents. This state of affairs was undoubtedly the cause of the terrible Irish problem that we have not even yet succeeded in solving. The land question itself has been

## POLITICAL ECONOMY

solved at last by the purchase of the land by the tenants, with the help of funds advanced by the Government, but the harm was already done.

The land question, however, is by this time much less acute than it once was in what are called democratic countries, because there is no longer the same monopolizing of the land, properly speaking. The population of most of these countries is increasing more slowly than it did at certain earlier periods, and there is a considerable amount of emigration from the country districts to the towns, as well as to America and the colonies. Consequently there is generally enough land available, if not for everybody, at any rate for all who want it. In these circumstances landowners who wish to let their land enjoy no monopoly, either in fact or in law, and are not in a position to dictate to their tenants—sometimes the tenants dictate to them. So the tenancy system has not led generally to exploitation.

But it was different (until quite recently) in the countries of Eastern Europe where there were large landed estates, where land was still a monopoly, and where, consequently, the tenant was to some extent exploited. So during the last few years, as we saw a few

## RENT AND INTEREST

pages back, laws have been passed with the express object of making the land available, and abolishing the monopoly of the landowners, by limiting the extent of land which they may possess. All beyond this limit is expropriated, with compensation, and offered to the peasants who have no land, either to buy or to rent.

The tragic history of land-letting may therefore be regarded as closed, though not that of landed property, which is a different matter.

## THE LENDING OF CAPITAL

We come now to the second method of putting wealth at the disposal of others. This applies not to land but to money, and to it the name of *lending* is specially applied.

Here again, at first sight, the lending of money is a method of disposing of it which seems to offer only advantages to every one concerned.

There are many people who possess capital, but who, for a multitude of reasons, can turn it to no account themselves by becoming industrial employers or merchants. What can they do better than lend it to anyone who will undertake to turn it to account, not only for his own benefit, but for every one's benefit?

## POLITICAL ECONOMY

And what can be more advantageous for one who has no money, or no time to create capital by saving—for the creation of a large capital by saving needs the whole of a man's life, or even several lives—than to find this capital in readiness to be utilized immediately in return for a small payment, called *interest*, that he can make every year?

In short, loans are a method of putting capital at the disposal of all who have none, in return for a payment that is generally less than the sum-total of the sacrifices that the borrower would incur if he had himself to create the capital he is in need of.

There seems, therefore, at first sight to be nothing objectionable in the money-lending system, either from the point of view of justice or from that of the advantages that accrue to both parties. Yet here again, and even more clearly than in the preceding case, we shall see how an institution, quite simple and harmless in itself, becomes perverted by degrees so as to produce unimaginable disorders in society.

From the standpoint of justice rather than of utility the payment of interest on loans seems entirely reasonable, and lending money for nothing seems an absurd idea, except as an act of charity, as is done by certain benevolent

106

## RENT AND INTEREST

societies. It even seems so just and legitimate that we are inclined to wonder how it ever came to be questioned. And yet for hundreds of years it was always being questioned. Lending money, it was said, is not the same thing as lending land ; there are three essential differences between them. They are as follows.

In the first place, land produces crops ; therefore it is natural enough that the tenant who rents it and will grow rich on these crops should give back a part of them to the owner, either in kind or in money. The produce of the land, moreover, is visible, whereas it is not easy to see at once that a bag of money or a bundle of notes produces fruit. A cow produces milk and calves, a hen lays eggs, the earth bears crops, but a bag of money, no ! Yet the Greek word for interest (*tokos*) means 'giving birth to offspring.' That is why Aristotle, the great Greek philosopher, protested that " money does not breed."

If the bag of money is kept in a safe, then Aristotle was right. Obviously you will not find a farthing more in the bag at the end of a year. But if the money is converted, by exchange, into some fruitful form of capital it is quite different. Nothing prevents you, for



## POLITICAL ECONOMY

instance, from spending the money on a cow, which *will* produce offspring.

In the second place, land gives a crop which is not only visible but can be measured. When an owner lets his land he and the tenant have a rough idea of what it will produce—how many quarters of corn or sacks of potatoes or pecks of fruit. Since they know the produce of the land they can tell more or less accurately whether the share that will return to the owner is fair or excessive, especially if it is paid in kind.

But when the loan takes the form of money we have no rule for determining what the rate of interest should be—the proportion, that is to say, which the amount of interest paid by the borrower every year should bear to the capital. Is he to pay a twentieth of the capital, which is 5 per cent., or a twenty-fifth, which is 4 per cent., or a thirty-third, which is 3 per cent.? How is one to know? The money may have been employed in a productive manner, but at a distance from the owner, perhaps at the other end of the world, and it may have been constantly changing its employment. What, then, determines the rate of interest? Simply the law of supply and demand, which means that the rate of interest

108

## RENT AND INTEREST

will be able to rise unchecked in all cases where money is scarce and money-lovers plentiful. And that is more or less the case in every land.

In such conditions as these the rate of interest may reach fantastic heights. The usual rate of interest in ancient times—in Rome, for instance, where money was scarce—was 1 per cent. per month, or 12 per cent. per year. It is the same to-day in Algeria for loans to natives, and in new countries generally. In Poland and in the Balkans borrowers have even been known to pay 1 per cent. per day, or 365 per cent. per year, though that, it is true, was for loans of short duration.

That is the reason why interest has been branded with the name of usury. In its original meaning there was nothing disparaging about the word 'usury'; it comes from the Latin *usura*, which simply means the *use* of a thing. The change in the acceptation of the word, its etymological development, is exactly parallel to the development of the system it stands for: from use to exploitation. That is why legislators had to intervene to repress usury by fixing a maximum rate of interest, as we have seen them fixing maximum prices of various commodities during the War. But

## POLITICAL ECONOMY

this legal rate of interest rests on no scientific basis.

The third and most characteristic difference between the renting of land or houses and the lending of money is that when land or houses are let they remain in the hands of the tenant. When his lease expires the worst that can happen to him is to be turned out, but he will obviously have no difficulty in surrendering the borrowed property, for it is there, intact ; the owner resumes it, and there is an end of it. It is very different in the case of borrowed money. The bag of money or the bundle of notes does not remain in the borrower's hands. No one has ever been mad enough to borrow money and not use it. When a man borrows money he does so either to spend it unproductively, to squander it like the proverbial spendthrift son, or as Governments do on a much larger scale, or else to employ it productively in creating some kind of profitable business undertaking. But in either case the money will always be spent, so that when the day of reckoning comes not one of the borrowed coins will be left in the borrower's hands. He will only be able to repay the loan, therefore, if he has made as much money as he borrowed, and this is not always easy nor always accomplished.

## RENT AND INTEREST

If the borrower has not managed to make as much money as he received he becomes what is called an insolvent debtor; if he is in business he is made bankrupt. If he does not incur commercial disgrace, he at least loses every kind of credit and standing. And this is little indeed compared with the fate that used at one time to be reserved for the insolvent debtor. The tragedy of the debtor who could not pay on the appointed date was a terrible one, and the history of every nation is filled with it.

Shakespeare depicted it in *The Merchant of Venice*, where Shylock exacts from the merchant a pound of flesh, in default of money, at the date of repayment. Nor is this atrocious device a mere figment of the poet's imagination, for in the most celebrated of all codes of law after that of Moses, the Law of the Twelve Tables, established in Rome in 450 B.C., we find a clause enacting that if a debtor cannot pay on the appointed date he is to be cut up into as many pieces as he has creditors. Many lawyers believe that this threat was not carried out, but even if the debtor was not cut into pieces it is certain that he was reduced to slavery. That was a universal rule. In all ancient lands the debtor

## POLITICAL ECONOMY

was enslaved and made to work for the benefit of his creditor until the debt was extinguished. Under the houses of the patricians at Rome were *ergastula*, or prisons, filled with insolvent debtors who worked for their masters until they were able to pay the amount of their debts—a point which they never reached.

Even later than that, after these customs were abolished, the life of an insolvent debtor was still a very hard one. Readers of Dickens will remember *Little Dorrit*, the story of a poor wretch who passed thirty years of his life in a prison where debtors were confined until they could pay their debts. But it is not, as a rule, in prison that means of earning money can be found, so many of them remained there all their lives. Imprisonment for debt was only abolished in England as recently as the year 1869.

When we think of the millions in all lands who have been unable to pay their debts and have endured those sufferings of which we have given so inadequate an account, it is easy to understand the cry of fury that has rung through the ages against the whole system. Nor is it only the debtors who have brought charges against their creditors. The greatest in the world have uttered their pro-

## RENT AND INTEREST

tests against usury : legislators like Moses, who declared to the Israelites, "Unto a stranger thou mayest lend upon usury ; but unto thy brother thou shalt not lend upon usury" ; thinkers like Aristotle, whose ironical words we have already quoted ; stern Romans like old Cato, who, when asked, "What is usury ?" replied, "What is murder ?" ; and finally the whole Catholic Church, through the voice of the Fathers as well as by the decrees of its Councils.

However, it is pleasant to be able to say that this question also, like that of rent, has lost much of its acuteness. It has filled the centuries with its clamour, but now there is silence. It is true that in 1849—more than seventy years ago—Bastiat wrote these words : "The human mind can apply itself to no graver problem, apart from questions of religion, than that of the legitimacy of interest." But to-day this question exercises public opinion even less than the problem of religion. So far are we from hearing anathemas against lending money at interest, that, on the contrary, we meet with nothing but exhortations to lend. It was only the other day that our walls were covered with posters urging us to lend to the Government. They begged us to

## POLITICAL ECONOMY

bring our money along as a patriotic duty, offering interest at 5 and even 6 per cent., and promising a certain rise in the value of the loan.

Nor is it only to Government loans that every one is asked to come and subscribe. Even the co-operative societies themselves borrow money, although their aim is the abolition of profit.

What is this change, then, that has come over money-lending? How is it that interest has come to be a recognized institution nowadays, when its history has been the long tale of suffering that I have just sketched?

There are two reasons which explain this change—a theoretical one and a practical one.

The theoretical reason is that even socialists themselves have at last come to realize that lending is a necessary accompaniment of individual ownership, and that so long as individual ownership is recognized it is absurd to imagine that money can be lent gratis. So the question is no longer that of the legitimacy of interest, but that of the legitimacy of the individual ownership of capital. The ground of controversy has shifted; if the question of interest has disappeared, that of ownership and capital remains, and we shall meet it again later on.

## RENT AND INTEREST

But there is also a practical reason for this change: that the position of creditors and debtors has been reversed. Throughout all past history the creditor or lender was the stronger party, and the debtor or borrower was the weaker one. The creditor was a rich and powerful patrician; the debtor was a poor and wretched proletarian. Nowadays it is different. The greatest debtors or borrowers to-day are, first, Governments, then the great banks and the great industrial companies. And who are the lenders? Just you and I, very often the most insignificant persons, those who have saved a little money and bring it along to the business undertakings whose names they have seen in the papers. Why should we melt with compassion over the fate of borrowers to-day? Would you have us start a crusade, like the Church Fathers of old, to demand the right of borrowing gratis for the Bank of England, or the Mexican Eagle, or Coats's cotton?

If we had been asked during the War to subscribe to a Government loan without interest because so many were giving their blood and their lives freely, that would have been justifiable, though it was not considered prudent to venture on such an appeal. But to



## POLITICAL ECONOMY

be asked to lend money for nothing to railway companies, or mining companies, or manufacturing companies, simply so that they could distribute bigger dividends and send up the price of their shares on the Stock Exchange, would be comical in the highest degree.

There you have a striking example of the way in which economic problems change in the course of history.

### HOUSE-RENT

The land question and the problem of interest, then, have both lost their urgency at the present day. But there is a third problem, closely related to the other two, which has become more acute than ever. This is the question of house-rent.

It is a curious instance of a problem that used not to exist and that arises to-day with formidable gravity. As a result of the creation of great urban centres houses have become a monopoly at a time when capital has ceased to be one. Consequently the hiring price, or rent, of houses has become usurious, like interest in former times, to such an extent that the question arises whether it ought not to be limited by law just as interest used to be.

## RENT AND INTEREST

But such a measure would be no more effective than laws against usury were. On the contrary, it would increase the evil by discouraging the building of houses for letting, and those who did not own houses would be put to the troublesome necessity of having them built for themselves, which would be an even greater burden than high rents.<sup>1</sup>

I can see only two solutions. One is a decrease in the population, or at least in the town population, in which case the law of supply and demand would come into play and bring about a lowering of rents. The other is the invention of methods of construction entirely different from those that have been employed hitherto, so that houses could be built of standardized parts, like bicycles and watches.

Yet it seems probable, in spite of all, that in future we shall have to reckon a quarter or a third as the normal proportion of our total expenditure which will have to go for

<sup>1</sup> The principle of a temporary legislative restriction of rents has been recently adopted in England, though it applies only to houses already in existence. At the same time the Government is endeavouring to encourage the building of the new houses that are so sorely needed. But though these measures may do something to relieve the situation in its temporarily acute form resulting from the War, the permanent elements of the problem remain.

## POLITICAL ECONOMY

rent, instead of only a seventh, as it has been hitherto.

### THE INDEPENDENT CLASS

There is one consequence of incalculable importance that results from the institution of rent and interest which we have just examined. This is the creation of a class of people who can live on the rent of their land or the interest of their capital without having to work—people of independent means, as they are called. Now the transition from independence to idleness and from idleness to parasitism is an easy one, and socialists, naturally enough, have not failed to denounce this outcome of the right of ownership and to regard it as bringing condemnation upon that right.

What the man of independent means can say in his defence is this : that a leisured class has always been indispensable in every community ; a certain number of people must be freed from anxiety about their daily bread and enabled to devote their time to disinterested study and work of a non-lucrative kind, such as the cultivation of the arts and sciences, philosophical speculation, the practice of charity, and those high functions of government which,

118

## RENT AND INTEREST

until quite recently, were gratuitously performed.

We may well ask ourselves whether there would ever have appeared in the world those Greek and Roman civilizations to which every modern nation owes so much, or an aristocracy like that of England and the empire she has created, if there had never existed a class of men endowed with this splendid privilege of leisure.

It is certainly not the case that great men have sprung exclusively, or even principally, from the independent class, even taking that phrase in the widest sense to include all the upper and middle classes. But it is at all events in that kind of social environment that they have most frequently found their patrons or followers or readers, as the case may be.

If this has been so, it is because education and leisure have been the prerogative of a small number. As these benefits come to be more widely and universally distributed, the social function of the man of independent means grows smaller and turns gradually into parasitism, at which point it is doomed to disappear.

If we think of the millions of stock that

## POLITICAL ECONOMY

Governments have issued during the last few years, it is plain that in post-War society great numbers of people must be in receipt of unearned income ; but at the same time, we do not find many who are able to live on it.

## CHAPTER VI

### WAGES AND PROFITS

**W**E have already seen three different ways in which a man can employ his wealth : he can use it for the satisfaction of his own wants, which is called consuming it ; he can transfer it to another by gift, sale, or bequest ; or he can grant merely the temporary use of it, by letting or lending it. There remains one last mode of employment, which is the most important of all in its consequences, but which, curiously enough, has received no special name in economic science.

This is the method of turning wealth to account, of using it to produce new wealth, of making it bring forth fruit : turning one's little garden plot, for instance, into a market garden or a fruit garden instead of simply smelling the roses or taking an afternoon nap in it ; or using Robinson Crusoe's boat to catch fish and bring it home every day instead of going for a sail or looking for a favourable opportunity to escape from the island ; or, if the wealth takes its usual form of money, investing it in some

## POLITICAL ECONOMY

productive undertaking instead of spending it or wasting it.

Now so long as wealth of any kind is employed in producing more wealth it is called *capital*. And, generally speaking, capital can only produce more wealth to the extent that it is fertilized by labour.

There are some cases, however, in which capital can produce wealth by the co-operation of nature alone. For instance, the eggs that are set for hatching instead of being made into an omelette will produce chicks, and the cask of brandy that is kept in a cellar for twenty years will be matured and converted into a rarer liquor by the passage of time. If we look only at the usefulness or the quality of the result we may even say that nature's share in the production of everything is enormous. But if we look only at value or price, the collaboration of nature in the process of production is quite overshadowed by that of labour.

Now so long as the productiveness comes from the personal labour of the owner of the capital, as in the case of land tilled by the peasant, or the boat employed by the fisherman, scarcely any socialists have protested against this use of wealth. But what happens is this : as soon as the wealth possessed reaches

## WAGES AND PROFITS

certain dimensions, and passes the limits within which individual labour can be profitably employed, then the owner is obliged to have recourse to the labour of others. If the garden is too big to be worked by one man its owner must have a workman to help him. If Crusoe's boat is too big for him to sail alone he will get Friday to help him, and one will hold the tiller while the other casts the net.

It is impossible for any individual, however active he may be, to utilize by his own personal labour any wealth whatever beyond certain very narrow limits. If one of us was promised a million pounds on condition that we made it productive entirely by our own labour, and without having recourse to the assistance of anyone else, we should have to refuse it, for it would be absolutely impossible. We could spend it, yes! although even that would need a certain amount of training; but we could not make it produce more wealth. The owner of capital is obliged, then, to get some one to help him—a workman, as he is called—and naturally this some one will not give his labour for nothing. He will have to receive in return a share of the produce of the land or the fishery, or, what will suit him better, the equivalent of that share, reckoned in money and paid in



## POLITICAL ECONOMY

advance. This remuneration, which is simply the price paid for the hire of the workman's labour, just as interest is the price paid for the hire of capital, is called *wages*, and the man who receives it is called a wage-earner. And the owner, when he plays this new part as a payer of wages, is called an *employer*.

### THE WAGE SYSTEM

Now this method of employing capital in the hiring of labour is fraught with formidable consequences, much more so, indeed, than any of the other modes of employment already described. Like them, it appears very advantageous to both parties. It is advantageous to the owner of capital, for it enables him to utilize wealth which otherwise could only pass into the hands of others by way of gift or loan, in which case the owner resigns all control of it. It is advantageous also to the wage-earner, who receives a fixed income in the shape of his daily or weekly wage without having to take the initiative in creating it, without the trouble of directing the business, and without the anxiety caused by the risks that are inseparable from every kind of business undertaking.

## WAGES AND PROFITS

How does it come about, then, that this mode of employing capital, so innocent in appearance and so brotherly, even, in its origin, has yet given birth to socialism, class warfare, social revolution, and all the plagues that Pandora's box contained? This is the third time that we have seen an economic institution becoming a source of discord in society, though appearing originally in a beneficent shape. It might almost be thought that some Satanic spirit was at work, as in the Garden of Eden, transforming these institutions into poisonous fruits like those that grew upon the tree of knowledge.

The explanation is this: that the contract between capitalist and workman has never been realized in the idyllic form of mutual assistance.

This is what has actually happened. Before the institution of individual ownership of property, in the days of patriarchal government, for example, and the system of domestic industry of which I have already had occasion to speak, the wage system did not exist. It was not needed, for the head of the family made his land and his flocks productive and fruitful by the labour of his own people—first by the labour of his wife, who was certainly

## POLITICAL ECONOMY

the first work-woman, if not the first wage-earner, and then by the labour of his children. But as soon as this family economy disappeared, giving place to individual ownership and the system of division of labour, the property-owner had to find some one who would come and work for him. And this was not easy, for no one is inclined to put himself at the service of another in a young community where there is land available for all who want it, where capital still has little value, and where any workman can make with his own hands the fishing-net, the bow and arrows, or even the wooden plough, that will enable him to produce on his own account.

We need not go back to the beginnings of human society, however. In all new countries the problem of obtaining the requisite labour is a very troublesome one to the colonists ; it is so at the present time, for instance, in Tunis.

Faced by this difficulty in the matter of procuring labour, the primitive owners invented slavery. They obtained by conquest the labour necessary for tilling their land, and this was an event of great importance in the history of the human race. It has been repeated in the colonies as a result of the same causes. When the landowners of America wanted to cultivate

126

## WAGES AND PROFITS

their estates they went to Africa in search of slaves ; that was slavery in its second phase : black slavery. And even after black slavery had been abolished in the colonies its place was taken in many of them by the employment of coolies, which was yellow slavery.

But setting aside this revival of slavery in the colonial system, let us go back to the time when ancient slavery dissolved simultaneously with the downfall of the Roman Empire. The workman did not yet become free in the country districts, for there he remained beneath the yoke of serfdom, which was simply a lighter form of slavery. But in the towns he enjoyed a short period of comparative happiness. It was a bright interval, as it were, in the history of labour, however we are accustomed to speak of the darkness of the Middle Ages. It was the period of the ' craftsman,' who owned the tools of his craft and needed neither to employ wage-earners nor to become one himself.

But this period did not last long—perhaps five or six hundred years—because, on the one hand, a new proletariat arose out of the freed or escaped serfs in the towns, and, on the other hand, because the capital that was requisite for production assumed such proportions that

## POLITICAL ECONOMY

it became inaccessible to those who had not already made a fortune. Consequently the possession of capital became to some extent a monopoly, and those who owned it were in a position to dictate their terms. What, indeed, can a proletarian do—for that is the name given to those who have no wealth but their own bodily strength—if he wants to work, but has neither land nor capital, the two instruments of production? What can a man do nowadays if he cannot find work? Even if he goes fishing he needs a rod, which is a rudimentary form of capital. Is he to go and pick primroses for sale? or carry luggage from the station? or open carriage-doors at the theatre? That is begging, not work. Only the capitalist, then, can give work.

Notice how strange those words are : *to give work*. It is a phrase we have heard time after time on the lips of a multitude of beggars. "I do not want charity," they say; "give me work." Although man, therefore, is not only capable of work, but bound to work, yet he seems to be dependent for it on the permission of another. He can only work if he can find a capitalist who will supply him with the requisite means; otherwise he becomes one of the unemployed.

## WAGES AND PROFITS

This situation was accepted, however, so long as businesses were confined within reasonable limits, and so long as the proletarian could look forward to becoming a capitalist and an employer himself. This was the case throughout the Middle Ages. At that time almost all workmen worked first as apprentices, then as journeymen, and finally as masters, and the distinctions of grade were less rigid than our modern class distinctions, for a man could always rise to a higher grade. That is why for hundreds of years people were not offended—not even the workmen themselves—by this insolent expression about *giving* work. It was accepted as expressing a truth. The man who gave work was the ‘master,’ a name which is still traditionally used in country districts without causing any ill-feeling. The master is also the benefactor, for it is he who makes it possible to work and earn a living. The highest form of assistance that the rich can lend to the poor, and the one that is recommended by moralists and economists, is just that; and it is infinitely superior to charity.

Quite so; but there came a tragic moment when a suspicion awoke in the minds of the masses. It took this form: Is it really true

## POLITICAL ECONOMY

that it is the capitalist who enables us to live ? Is it not rather we who enable him to live ? Would he not in that case be an exploiter instead of a benefactor ? And the moment that idea entered the minds of the masses socialism was born.

If, indeed, the capitalist can say that he gives work to the workman, cannot the latter reply that it is he who gives the capitalist the produce of his labour, and that he himself gets back, in the form of wages, only a part of it, and perhaps the smallest part ? It is true that the money paid to the wage-earner is advanced to him out of capital that is already in existence, but this is only in anticipation of the final product. He receives his wages as a payment for renouncing all claim on the future produce of his labour. It is an advantage to him, certainly ; for he is paid ready money, and he cannot afford to wait. But that very method of payment in advance obviously places him in an awkward position as regards knowing how much he ought to receive. He does not know what the value of the product will be, especially in the case of things produced by collective labour, where the individual share of each person cannot be traced. In fact, it is well known that wages, the price paid for

## WAGES AND PROFITS

the hire of labour, are not settled by bargaining. They are a fixed price, to be taken or left, like the prices of articles in a big shop, but with this difference, that the customer in the shop can always abstain from buying if the price is too high, whereas the workman is not always free to abstain from selling even if he considers the price too low. It is only since the rise of trade unionism that it has become possible to make wages a matter of bargain.

That is why wages have fallen, in the course of history, to an incredibly low point, to the minimum below which the human material, the bodily strength itself, disappears because the workman can no longer feed himself and keep alive. And such was the case, even until the War, in industries where the worker was not in a position to bargain, notably in the industries that were carried on by female workers in their own homes.

Happily this state of affairs has been changed, and not only because the action of trade unions and the strike threat have undoubtedly had a powerful effect on the rate of wages. Another cause—and it is pleasant to be able to say so—is that people have come to realize, in the great industrial countries, that you cannot get a large output from ill-paid workers,



## POLITICAL ECONOMY

and that the share of the gross produce that is allotted to labour under the name of wages can go on increasing even without any diminution in the share taken by the employer under the name of profit. On the contrary, he gets it back, as we say, in the increased quantity of goods produced.

### PROFITS

If the explanation of wages is an easy matter, that of profits is a little more puzzling. What exactly is profit? The smallest of grocers will tell you it is the excess of selling price over cost price. None the less, in spite of this apparent simplicity, the exact definition of profit is one of the hardest problems in economic science. In order to justify profit economists say that it is at the same time a remuneration for the work of management, interest on the capital employed in the business, and a premium of insurance against the risk of loss. But we maintain that none of these three elements constitutes profit, for in a proper system of book-keeping all three of them should appear in the cost price. This is the case in all joint-stock businesses. Among the expenses are reckoned: (1) the managing

## WAGES AND PROFITS

director's salary ; (2) interest on debentures and preference shares ; (3) payment into a reserve fund for providing against risk. Then the dividend on ordinary shares, which is not distributed until all these expenses have been met, is precisely profit in the pure state, entirely independent of the elements just enumerated. If there happens to be no dividend we say, quite rightly, that the business has not paid, and we regard that year as an unlucky one.

How are profits to be explained, then, if they do not consist of any of these three elements : earnings of management, interest, insurance against risk ? Whence do they arise ?

Various explanations are given. The socialists say that profits are simply a deduction from the labour of the workman or wage-earner, to whom the employer has not paid his fair wage. The co-operators say that profits are levied at the expense of the consumer, who is made to pay more than a fair price for the product. Others, more indulgent to the employer, say that profits are the result of fortunate circumstances that enable the producer to make, or the merchant to sell, under better conditions than his competitors. He thus has an advantage very much like

## POLITICAL ECONOMY

that of the owner of a particularly fertile piece of land or a house that is better situated than the rest. All profits, on this theory, are a kind of windfall, from those of the street newspaper-seller when there has been a bad accident somewhere, up to those of a mining company when a new seam or vein is discovered. Shakespeare says :

There is a tide in the affairs of men,  
Which, taken at the flood, leads on to fortune ;

and no economist has given so good a definition of profits as that. It is still necessary, however, to know how to take the tide at the flood, and that is a gift that is not given to everybody.

But whichever of these three explanations we prefer, it is plain that in none of them do profits or dividends appear as the produce of labour, properly speaking ; they are an *un-earned increment*. This does not mean that they must be regarded as a theft. Taking advantage of a favourable opportunity is not stealing. If all good fortune, and even if all evil fortune, were eliminated from the world, life would become a dull and insipid business.

But if we admit the place that chance occupies in life, still it ought to be the same

## WAGES AND PROFITS

for everybody. If men have no right to claim equal shares, they have a right to demand equal chances: to demand that every one, by labour, by saving, by intelligence and initiative, shall have a chance of reaching the top, as he has in politics, for instance. To have a chance at least once in his life is the right that the Americans claim for every individual. I once read in an American book the touching story of a notice-board that was set up on a newly sown lawn in a New York park bearing the words: "Give the grass a chance"—meaning, of course, do not walk on it.

It is a curious thing that while public opinion finds it so hard to tolerate inequality of wealth even when it arises from such honourable causes as inheritance from one's father or a fortune made in business, it yet looks kindly upon a man who wins the first prize in a lottery. When it is announced in the papers that So-and-so has won the first prize—say a quarter of a million, as in a recent lottery in Spain—no one makes any protest, because every one thinks: "I might have won it myself." And that corresponds well enough with the simple idea of justice in popular opinion, viz., equality.

Now that is exactly where the hitch comes,

## POLITICAL ECONOMY

for chances in life are not equal for everybody. The world is not so much a lottery as a race-course where you cannot gamble without tips. And the only people who can gamble with safety and who know which numbers will win are the rich, or at least the well-informed folk who read the financial papers, who live in political circles and frequent the lobbies of the House of Commons, and who are in touch with the money-market and the banks. Those shares that you have seen rising by dozens of points between two quotations on the Stock Exchange are not really lottery tickets, for it is only the shrewd and cunning who win them. Look at some of the oil shares, for instance, whose prices have doubled and trebled in a few months. But do you imagine that the worthy gentleman who has saved up a little money will be informed of this in time? Nor would he dare to take the risk, even if he had the necessary information, for to take these risks you must have plenty of money to start with.

But we must go on with our story, for business organization and the wage system have continued to develop. They have passed far beyond the period of small individual businesses and the joint family system of the

136

## WAGES AND PROFITS

Middle Ages. The capitalist now, to make use of his great estates or his great capital, must have recourse to the labour of hundreds and thousands of workmen instead of only a few. Every day sees the rise of colossal undertakings that gather men together in their thousands : there are 15,000 in the Renault motor works at Paris ; there were 100,000 in the Krupp factories not long ago ; 170,000 are employed by the great Paris-Lyons-Mediterranean Railway Company.

But business enterprise does not end there ; it goes further still. A business is now no longer a single establishment, but a number of establishments, and these in their turn are grouped together into still wider federations called trusts or combines. These are veritable industrial armies, made up of army corps under the leadership of generals who have nothing to do with the technical side of the management ; they leave this to their subordinates and attend simply to the financial direction of the business. They are the presidents or chairmen of the great administrative boards, the same man often presiding over a dozen or more boards at the same time, embracing the whole of one particular industry in one country. That is the origin of those colossal figures that the

## POLITICAL ECONOMY

Americans call kings of industry : the oil king, the steel king, the railway king. Just as the centurion in the Gospel said, " I also am a man set under authority, having under me soldiers : and I say unto one, Go, and he goeth : and to another, Come, and he cometh," so to-day the capitalist centurion commands his thousands of men, and when he says " Go " they go, and when he says " Come " they come.

It is easy to understand that enormous profits accumulate in the hands of these men, just as innumerable drops of water make huge rivers when they unite in one river-bed. They give rise to those fortunes that were unheard of till quite recently—fortunes that are reckoned, at any rate in America, in millions of income and scores of millions of capital. Obviously such fortunes could never be created by personal labour or by saving, even if it were prolonged during several lives. These industrial mammoths seem to be a typical product of the capitalist age, like those monstrous prehistoric creatures that sprang from the warm slime in the earliest ages of the earth's history.

Yet they are not by any means monsters. They are not even monopolists in the ordinary sense of the word, but rather *accumulators* of

138

## WAGES AND PROFITS

wealth, in the true scientific sense, for they only concentrate it in order to distribute it. These possessors of great wealth are only distributors. They have been likened to public fountains which receive water so as to pour it out again. Perhaps a better comparison would be to those lofty mountain peaks on which the snow gathers and accumulates every winter. Instead of keeping it for themselves they pour it down upon the lands below, either as 'white coal' to drive dynamos and give light to the towns, or to irrigate the fields and make the crops grow.

In fact, when wealth reaches these great heights its owners rarely employ it for the same vulgar purposes as the less rich or the newly rich. They rarely spend their immense fortunes on personal enjoyment. It is not for themselves that they pile up their millions, nor is it even for their sons, for they very often disinherit them. Carnegie said that it was a shame for a rich man to leave anything when he died.

But these millionaires devote their wealth to philanthropic and scientific objects as well as to industrial uses. Men like Rockefeller and Carnegie have spent millions in founding libraries, laboratories, establishments for fighting tuberculosis, and institutions devoted to



## POLITICAL ECONOMY

the interests of peace, like the Peace Palace at the Hague—now, unfortunately, empty. And it is open to question whether under a socialist or even a co-operative system it would be possible to replace these ‘accumulators’ of wealth. Had capitalism been nothing but a purely parasitic institution it would have been swept away by this time. Since it has lasted, it is undoubtedly because it has performed certain services. These services are no slight ones, for they consist in having created the existing industrial system. And this system, in spite of all its faults and all its abuses, has nevertheless given cheapness and abundance to the world—benefits which we do not realize until we have lost them !

Finally, it must be borne in mind that socialists—well-informed ones, at all events—are not backward in admiring the achievements of capitalism for the economic order of the world. They know, in the first place, that without capitalism socialism would never have been born, for socialism is the offspring of capitalism : Karl Marx is the intellectual child of Ricardo. And that alone should inspire them with a certain amount of gratitude to capitalism. Nor do they by any means propose to overthrow the capitalist edifice. All they

## WAGES AND PROFITS

want is to drive out the capitalists and instal themselves in their place.

That is the exact meaning of the phrase 'industrialized nationalization,' invented by the General Labour Confederation of France, and repeated so often of late years. The trusts are to be retained and even made universal, with all the most modern industrial features: the use of machinery, standardization, integration, concentration, localization, etc. But on the new administrative boards the capitalist shareholders would be replaced by representatives both of labour and of consumption, the consumers being those whose needs are supplied by the business in question and whose interest lies not in the making of profits, but in the most economical methods of production.

## CHAPTER VII

### COMPETITION AND CO-OPERATION

**W**E have now passed in review the essential characteristics of the economic world as it appears to us. We have seen that it has self-interest for its motive power and profit for its aim ; we have seen the dissociation of ownership from labour that results from inheritance, from the lending of capital, and from rent ; we have seen the class division that the wage system has created between capitalist and proletarian. And with these characteristics the economic world scarcely seems a favourable environment for the realization of social justice and social peace.

Yet all the same this world goes on indifferently well, and economists, or at any rate those of the liberal school, have set themselves to prove that it goes better than it appears to because it is governed by certain laws which they call laws of nature, and which tend in the long run to ensure the general well-being.

Here is the optimist conception of the economic order, so far as it is possible to

## COMPETITION AND CO-OPERATION

summarize a century and a half of history and hundreds of books of theory in a few lines :

1. Man is guided by self-interest, which impels him in all economic relations to seek the greatest amount of profit, and which constitutes the mainspring of his activity.

2. The individual pursuit of profit, however, is in no way opposed to the general interest, but quite the reverse, for it stimulates every producer to produce what will sell best. Now, given the law of supply and demand, those goods or services that fetch the highest price are obviously those which are most in demand, most useful in the economic sense, and most eagerly desired. It is therefore precisely owing to the desire of profit that the most urgent wants are first met.

3. It is true that this self-interest and pursuit of individual gain might result in exorbitant profits and the exploitation of the consumer if there were only one producer or merchant, or, in other words, if he possessed a monopoly (*monos* is the Greek word for 'alone'), but this danger is eliminated under the system of *free competition*. For when competition is free each producer or merchant finds others in the market along with himself who are no less anxious to sell than he is, and who undersell

## POLITICAL ECONOMY

him so as to attract customers. The result necessarily follows that prices are lowered and profits reduced by the pressure which is thus exerted, until the selling price is brought down to the level of the cost price, in which case the profit is reduced to *nil*. This means that the value of each product tends to be determined by the quantity of labour and expense that it has cost, which is precisely the ideal of justice that the socialists and the co-operator are striving to realize by much more complicated and less effective systems.

In this manner, thanks to competition, individual interests are held in check by each other, prices are brought down to a fair level, profits are reduced to a minimum, cheapness and justice are realized at the same time, and 'each for himself' is transformed automatically into 'each for all.'

There is undoubtedly a certain amount of truth in this picture, which you will find painted in more or less rosy colours in the books of the classical economists.<sup>1</sup> For these communities

<sup>1</sup> See, for example, Bastiat's *Les Harmonies Économiques*, already quoted, de Molinari's *Les Lois Naturelles de l'Économie Politique*, and Yves Guyot's *La Morale de la Concurrence*. This optimistic tendency is much more clearly marked in French economic literature than in the works of writers of the English classical school, such as Adam Smith, Ricardo, Senior, and J. S. Mill.

## COMPETITION AND CO-OPERATION

could surely not continue in existence, with their almost unchanging characteristics, if there were no natural laws controlling their destiny. But there is evidently a certain amount that is illusory as well, since the discontent of the masses grows unceasingly, and is threatening Europe with revolution at this very moment. We must try, then, to distinguish between that part of the existing economic order which must be retained, and the part that should be discarded.

In the first place, we must guard against the folly of under-valuing self-interest, branding it with the name of selfishness, and thinking that it can easily be replaced as the motive power of human activity by some other force. It is natural to think of oneself; even the Gospel does not forbid it, for it merely says: "Thou shalt love thy neighbour as thyself." Instead of calling it selfishness we can just as well give it the finer name of self-help. Personal effort is inseparable from self-interest, and the 'selfishness' of helping oneself must not be scorned. There is a charming passage on this subject in the works of Heine, the ironical German poet. Speaking of his friends, he says: "They overwhelmed me with attentions and told me they would look after me, but with all their care I

## POLITICAL ECONOMY

should have died of hunger if a good man had not taken me in hand. What a splendid fellow he was ! He gave me food, for which I shall always be grateful to him ; what a pity it was that I could not embrace him. But it was quite impossible, for this splendid fellow was—myself.”

Socialists themselves have no desire, as we might imagine, to substitute social interest for self-interest. All they want is to prevent the interests of the whole from being sacrificed to the interests of a small number. But they consider that individual ownership results simply in hindering the development of individuality—~~at~~ at all events when it is based upon capital and the wage system—and that is why they demand the abolition, or, as it is called, the socialization of ownership.

If we grant this, however, it does not follow that self-interest inevitably implies the pursuit of profit, or that the disappearance of profit would of necessity entail the cessation of all activity and all initiative. Profit, in fact, in the sense in which we have defined it, is not the remuneration of genuine labour, but simply the reward of cleverness or the result of fortunate circumstances. And it would be thinking very meanly of man's labour to lay it down as a

## COMPETITION AND CO-OPERATION

principle that it could have no other motive than the temptation of winning a first prize, as it were.

It would be a still greater mistake to assume that the desire for profit is necessarily in accordance with the general interest because the law of supply and demand ensures the largest profits to those who best meet the needs of the consumer. For the most expensive commodities, and those, therefore, which give the greatest profit, are not necessarily those that meet the most pressing needs ; they are those which satisfy the desires or caprices of a small number of privileged persons who possess the means of paying ungrudgingly. The law of supply and demand, though treated with contempt by the neo-economists of to-day, certainly cannot be resisted, and could no more be eliminated than self-interest could ; but it has no moral significance and no ultimate importance.

As for the beneficent action of profit, there are assuredly very many primitive and fundamental needs which the desire for profit rather prevents from being satisfied than otherwise. To take an actual example, the most general need at the present moment is for houses. It is one of the most urgent needs, both from the



## POLITICAL ECONOMY

individual and from the social point of view : from the individual, because there is nothing harder for a father to bear, especially if he has many children, than to be unable to find accommodation, or to obtain it only at ruinous expense ; and from the social point of view, because overcrowding in sordid localities creates a permanent danger of contamination for the whole of society. Even before the War this need was insufficiently provided for ; to-day it is only very gradually being met. A large family can scarcely find accommodation. That is an evil so tragic as almost to justify a revolution.

What have the forces of self-interest and competition done, then, to solve this problem ? Why is it that the captains of industry have not built dwellings in sufficient number instead of flooding the market with articles of luxury ? Simply because there was not enough profit to be made out of building houses, particularly cheap houses. So true is this that in every country, even before the War, house-building had to be taken in hand either by the State or by philanthropic or co-operative societies. But their puny efforts were unavailing to prevent this public need from remaining unsatisfied, and to-day, of course, the state of affairs is far worse. (See page 117, above.)

## COMPETITION AND CO-OPERATION

Many other instances might be cited. The newspapers related not long ago that all the olive-trees on the Corniche, right along the Mediterranean, had been rooted up and replaced by plantations of roses, mimosas, and pinks, because flowers gave a much greater profit than oil. Those who were responsible for this change are sorry for it now, however, for oil has risen in price more than flowers, in the general scarcity following the War. But it is too late ; olive-trees do not grow as fast as rose-trees.

Is it necessary to mention the many harmful industries that are kept going entirely by the desire for profit, without the slightest regard for the genuine needs of the public, such as the liquor trade and the production of obscene literature? Economists, as well as the promoters of these sorry trades, will tell you that the fault is not theirs, that they are not moral reformers, and that the responsibility must rest with the public that demands the goods they produce. Most certainly it cannot be denied that the consumer does share the responsibility, and efforts are being specifically made to educate the consumer in this respect ; but it must be admitted that the producers, stimulated by the passion for profit, have played the part of tempter toward the consumer.

## POLITICAL ECONOMY

Like Satan, they have offered the apple to Eve, and to Adam as well. It is the desire for profit that has created the business of advertising—that huge trade in deception that seeks only to suggest factitious wants to the consumer, and spends millions on its various forms of publicity (a thousand million dollars a year in the United States, it is said). The national and international markets are loaded with products that are not only useless, but even harmful—products which industry has accumulated instead of satisfying the fundamental needs of man.

Even when our normal wants are provided for by manufacturers and merchants their services in that respect are still ceaselessly corrupted by the desire for profit. Each merchant, to make money more quickly, has the choice of only two alternatives: either to raise the price of his goods, or to lower their quality by using inferior materials, and thus allowing himself to glide down the slippery path of fraud and adulteration.

As for the law of competition, which economists would be inclined to call “the guardian angel of the human race”—as the lawyers say of prescription—we must come to a clear understanding as to the import of the phrase, for it bears two quite distinct meanings.

## COMPETITION AND CO-OPERATION

In so far as 'free competition' means freedom of labour, freedom of exchange and transport, the wide open door between all countries, the benefits attributed to competition in this sense of the word are not exaggerated. Competition of this kind is in truth the protector of the interests of the consumer, and when it fails, as was the case during the War, the consumer feels the effect deeply.

But competition in the more ordinary sense of the word means strife and warfare in the economic sphere—the struggle for existence. We have no wish to retain *that* kind of competition in a normal society, and we have great hopes of seeing it replaced by the opposite system of co-operation. Competition in this shape leads only to a squandering of strength and wealth, and if it sometimes happens that the consumer benefits by the blows dealt each other by the competitors, the benefit is only occasional and temporary. In fact, one of two results is almost bound to occur.

On the one hand the competitors may grow tired of making war on each other, and become reconciled at the consumer's expense by making an alliance with each other. Such alliances are becoming more and more common. In fact, they are getting to be the general rule in

## POLITICAL ECONOMY

commerce, either in the form of trusts, combines, or cartels, or, without these high-sounding names, simply as tacit understandings between all the traders in the same town—butchers, bakers, grocers, doctors, etc.—to sell at the same price. The trader who sold at a lower price than his rivals would find himself boycotted, even if he was not formally bound by a written agreement and a bond.

The alternative to this plan is a continuance of the struggle, without any agreement and without mercy. In this case competition ends in the elimination and destruction of the small merchants by the greater, or even in one individual growing big and fat like the rat in the cage who had eaten up all the rest. When this happens competition loses the benevolent shape expressed in the French proverb: “Each for himself and God for all,” and takes the form represented by the American variant: “Each for himself and the devil take the hindmost!”

Now in either case it is obvious that competition has disappeared, and that consequently the protection expected from it by the consumer has disappeared along with it. And that is the situation that tends to become general.

Nor is it even true any longer to say that this competition among producers at any rate

## COMPETITION AND CO-OPERATION

ensures an abundance of produce, for it often happens that production is deliberately restrained by the agreements between producers, and still more by monopolies, with the object of raising prices or at least keeping them from falling.

Without attempting to suppress self-interest, therefore, we must try to find some latent force in human society which will prevent it from acting in opposition to the general interest, while not robbing it of its virtues.

Now this force does actually exist ; nor is it anything new, for it has always existed. It may even be said to have been in existence, in the course of biological evolution, before the individual itself appeared. It is called co-operation, solidarity, or mutual assistance. And here we must go back to our starting-point, where we were seeking for common ground in the political economy of the human and the animal worlds. Among the animals we found the rudiments of all the principal economic notions, but they were only those of the individualist economy. Now we can find there the rudiments of a socialist economy as well, in the shape of association. Every one knows what wonderful examples of association are afforded by some animal species. I am not

## POLITICAL ECONOMY

speaking only of bees and ants, whose ways will remain an object of contemplation for ever, for there are many other instances that are studied by biologists, particularly among the creatures of the sea.

There is a mystery here, for we find association almost exclusively among the inferior species, or those, at least, which we call inferior. As we reach the higher species—those which most nearly resemble ourselves—we find that association disappears. Yet every animal is sociable among his own fellows. Who knows whether association did not exist equally among the mammals and other higher species before the coming of man, and whether its disappearance was not simply due to his appearance? The explanation may perhaps be this: that, being nearer to us, they were the object of murderous competition, and were either massacred, or reduced to slavery, or dispersed, and then returned to individualism, like the Red Indians or the Kanakas, or like the beavers, which have already almost completely disappeared.

In any case those animal societies which still remain afford an admirable example of the 'each for all' system mentioned above. It is nowhere better worked out than in the bee-hive. There, it may be said, it has been carried a

## COMPETITION AND CO-OPERATION

little too far and overstepped the bounds of reason. Not only does the hive exist for the bee, but the bee seems to have no other reason for existence than the hive. We do not want a human hive, where man would live only for the hive. On the contrary, society must be a means of making men, of creating stronger and richer personalities—richer in both the economic and the moral sense of the word. Men are undoubtedly becoming increasingly dependent on one another, but dependence does not involve impoverishment when it is reciprocal and when each is called upon to receive from another as much as he gives him, or even more. The bee is completely sacrificed to the hive ; and it may be precisely for that reason that the hive has never advanced, but has remained unchanged as long as we have known it.

The nation and the parish are certainly forms of association. Moreover, they are natural ones, and they are compulsory in the sense that they result from the simple fact of community of residence, like those of the animals, who seem to know that form alone. But for men there are other forms of association too, resulting from free choice, and purely voluntary in their nature. But they, none the less, are also the representatives and the organs of interests



## POLITICAL ECONOMY

superior to self-interest. Too often, no doubt, they end by substituting professional or even class interests for self-interest, just as industrial agreements and workmen's associations do, and in that case they come into conflict with the public interest also. Of course, there are some forms of association whose sphere of action is outside the range of political economy. Such are those which serve the interests of science, art, religion, philanthropy, and all disinterested forms of activity, and which bear the name of non-profit-making associations. But leaving these on one side and confining ourselves to the three main types of association in the economic order, the trade union, the co-operative society, and the friendly society, we see that the object of each of these is to fight one or other of the abuses that arise from the unrestrained growth of self-interest. They thus become the organs of social interest, resembling the State, but generally more effective in their action.

Co-operative associations take the form of consumers' societies, credit societies, and building societies. They aim at abolishing, not interest, but usury, not the fair remuneration of the labour of superintendence, but profit, so far as it is the outcome only of monopoly or chance, and they thus tend to eliminate

## COMPETITION AND CO-OPERATION

parasitism and to realize the ideal of the fair price.

Trade unionism aims at the abolition of the system by which labour is dominated by capital and made a mere instrument of production, without sharing directly either in the management or in the profits of the undertakings in whose service it is engaged.

Friendly societies, more modest in their aims, merely seek to mitigate the rigours of the existing economic order for those who have neither had the luck to be born rich nor have been able to obtain capital, by giving them the benefit of collective insurance instead.

The awakening and the steady growth of this social consciousness alongside of individual selfishness, which, little by little, it is coming to dominate, is one of the finest spectacles in history. We see it not only in State intervention, crying halt to individual self-interest when it involves risk of injury to the general interest, as in the many instances we have cited in the matter of individual ownership, but also in all private efforts made in the interests of the general welfare.

But to explain the nature and working of these institutions would mean leaving political economy properly so called and entering the

## POLITICAL ECONOMY

realm of social economy, whose object is to counteract the fatal effects of natural laws. And that is another order of facts,<sup>1</sup> so at this point we must stop.

<sup>1</sup> See Gide's *Les Institutions de Progrès Social*.









